



6.3.2024

Common Weal Policy

# TAXING LAND IN SCOTLAND

# REVIVE

The coalition for grouse moor reform

## COMMON WEAL



Common Weal is a Scottish 'think and do tank' which promotes thinking, practice and campaigning on social and economic equality, participative democracy, environmental sustainability, wellbeing, quality of life, peace, justice, culture and the arts.

Common Weal is entirely funded by small donations from members of the public and is entirely independent of any political party. It is governed by a Board drawn from across the spectrum of progressive politics in Scotland.

Common Weal also has a network of autonomous local groups who seek to put Common Weal ideas into practice in their communities.

For more information visit:  
[www.commonweal.scot](http://www.commonweal.scot)

Or contact us at:  
[hello@common.scot](mailto:hello@common.scot)

## AUTHOR

Craig Dalzell is Head of Policy at Common Weal

## KEY POINTS

- Land in Scotland remains the largest store of untaxed wealth in the country. This has negative effects not just on national and local budgets, but is corrosive to social equality, democratic accountability and on local economic and community development.
- The devolution framework restricts the Scottish Government from instituting a national-scale land tax but explicitly allows them to enable Local Authorities to manage their own land tax so long as the revenue is used to fund local services.
- Many proposals have been put forward on taxing land, from a bespoke Land Value Tax to various forms of Annual Ground Rent. Most have significant disadvantages such as issues with estimating the taxable potential of the land.
- Common Weal has found that a separate land tax may not be required. Council Tax should be replaced by a proportional Property Tax. This Property Tax should be extended to cover land as well as domestic buildings.
- Previous work by Common Weal found that a Property Tax on buildings set at 0.63% would be 'revenue neutral' compared to Council Tax in 2019 – and would attract up to £650 million extra in 2023 given house price rises in the intervening time.
- Extending this 0.63% rate to land would raise an additional amount of around £450 million based on 2022 land prices.
- The distribution of this tax revenue on land has been estimated for each of Scotland's 32 Local Authorities. For example, Highland Council could expect to receive almost £97 million per year which is almost double their current projected budget shortfall.
- Set at the proposed rates, five Local Authorities would receive revenue from this tax on land equal to or greater than 50% of their current Council Tax revenue.

- More urban Councils benefit less from a Property Tax on land but this is compensated for by their greater expected revenue from Property Tax on buildings. Given that Council Tax is currently one of only a few taxes (semi-)autonomously controlled by Local Authorities, applying a locally controlled tax to land will give a greater degree of democratic control and accountability to those Local Authorities.
- The Scottish Government should act with urgency to replace Council Tax with a proportional Property Tax and should simultaneously extend it to land ownership as laid out in this paper.

# CONTENTS

3	Key Points
5	Contents
6	Foreword
7	Introduction – Why Scotland Needs A Tax Land
9	Property Tax – More Than Houses
10	Land Ownership in Scotland – Vast, Empty, Wealthy, Poor
10	Comparing Solutions – Land Tax, Land Value Tax and Ground Rent
13	International examples – Australia, Denmark and Estonia
14	Appraising Scotland – What land, where?
16	Applying Land Tax to Scotland – Revenue and Democracy
20	Conclusion
21	Appendix
22	References

# FOREWORD

Why would Revive, a coalition set up to campaign for grouse moor reform, be commissioning a paper on land taxes?

Scotland has the most unequal distribution of land in the developed world with just 433 people owning half of all private land. Across most of the political spectrum there's a stated consensus that this huge power imbalance must be addressed, but until now real solutions have been sadly lacking. Land taxes are amongst the most important untapped tools that we must utilise to change the face of Scotland for the better.

The strength of these proposals is their simplicity, as well as their clear financial benefits. A good tax is a simple tax so people can understand why it's in place and what it's aiming to achieve so they can assess the results. Taxing Scotland's Land lays out international comparisons, a number of options and opts to take the approach it sees as the most workable option.

REVIVE wants to change the face of Scotland for our people, our wildlife and the environment. We've often said that grouse moors are a metaphor for land reform issues – a few people who own and manage a lot of land to the detriment of wildlife and the environment with few societal benefits for the damage it does.

While unfair land use is part of the much-quoted 'circle of destruction' of grouse shooting set out by Revive, land taxes are part of the 'circle of opportunity' of land reform. It's one of the solutions to intensively managed sport shooting estates. Driven grouse shooting, for example, can be expensive to run and is often not that profitable. Yet, for every 'brace' of grouse shot, it is estimated that £5,000 can be added on to the value of these, largely untaxed, shooting estates – incentivising intensive management to maintain and increase market value.

In the meantime, investment funds are buying up large parts of Scotland – prioritising private profit instead of our people, wildlife and the environment. Heavily inflated land prices are making it increasingly difficult for community buyouts and there's some evidence that suggests land is becoming even more concentrated in the hands of fewer owners.

Taxing land will help to address and rebalance land prices while also raising money for local people and making land buyouts more affordable. It should also allow purveyors of intensively managed shooting estates to think again about how they manage their land and why.

REVIVE sees land reform as an opportunity. The nature, climate and biodiversity crisis means we have to start transforming our land now and create tens of thousands of more homes, jobs and opportunities for our people while we're at it. This paper offers Scotland an intriguing option, at a time when the Scottish Government is looking at land taxation, for what a land tax could look like and how it can work. It could be a powerful and effective tool to achieve genuine land reform at a pace that those who advocate for land reform would expect and hope for.

Max Wiszniewski, Campaign Manager for REVIVE

# INTRODUCTION – WHY SCOTLAND NEEDS A LAND TAX

Land is possibly the greatest immovable asset and store of wealth in Scotland that is not currently taxed. Inheritance Tax is a reserved tax in Scotland, is easily avoidable and – obviously – results in tax revenue only at the point of inheritance rather than annually. Additionally, the pattern of wealth across the UK and its concentration in and around the South East of England means that while Scotland is assigned £332 million in inheritance tax in 2022-23 according to the annual Government Expenditure and Revenue Scotland (GERS) report which represents only 4.7% of the UK's total revenue from inheritance (compared to Scotland's "population share" of the UK of 8.3%). It should be acknowledged, however, that when it comes to the potential value of inheritance of land specifically, this is an inexact comparison as inheritance tax is a much broader tax and stores of wealth in the UK including everything from property to moveable assets and intangible assets thus the pattern of wealth holdings may be very different when comparing, say, a financial magnate based in the City of London to an 'Old Money' Highland Laird in their generations-held estate. Recent political pressure to devolve inheritance tax is welcome and Common Weal supports this campaign, but we recognise<sup>1</sup> that it, alone, is insufficient to enact proper Land Reform – indeed, the generational nature of inheritance tax means that even if it was a sufficient tool to change the patterns of land ownership in Scotland and did bring in sufficient revenue to be considered a significant proportion of the national budget, it would still take many decades for the cycle of time to enact that change – decades that Scotland no longer has given the urgent nature of the climate emergency. Plus many wealthy landowners now hold their land in a family trust which is not inherited but which provides income only to the family, thus avoiding Inheritance Tax altogether.

Scotland's other major wealth tax, the Council Tax, is regressive, badly outdated and taxes only buildings and not land itself. This is of little distinction to a typical householder where the Council Tax is held to include the 'curtilage' of a

property and so also includes a typical garden, but this has a major impact on properties such as landed estates where the Council Tax is levied on the manor house of the estate (often at an equivalent rate much lower as a percentage of the property's value than a more average Scottish household), but is not levied at all on the surrounding land. This means that under the current system, a large mansion that is charged Band H Council Tax will pay no more than 245% as much as a Band D house in 2023 (though proposals to increase the rates for higher band houses are presently being discussed, even these uplifted would result in high band houses paying less Council Tax than a proportional Property Tax would suggest). In the author's Local Authority of South Lanarkshire, this means that such a mansion would pay £3,186.98 in Council Tax in 2023/24 regardless of whether the mansion is worth £1 million, £10 million, or £100 million at current prices. So long as that house was worth more than £212,000 in April 1991 (unlike any other tax in the UK, Council Tax is not based on current valuations but on valuations made over 30 years ago) then it will pay only this flat amount. As mentioned, the amount is also only charged on the property and its 'curtilage' so that if a house is owned alongside a broader estate, the valuation for Council Tax does not apply to that estate.

Scotland's public budgets are incredibly strained after over a decade of imposed Austerity and the budgetary 'squeezes' imposed by both the fiscal framework of devolution and the incredibly centralised and centralising nature of the UK economy that sees economic activity and wealth concentrated in London and the South East of England. This is even more acute at a Scottish local level as Local Authorities are themselves increasingly squeezed by a Scottish Government that itself seeks to centralise as much power into itself as possible – around 80% of Scottish Local Authority revenue is controlled from Holyrood by Block Grants and a substantial portion of expenditure is ring-fenced by Holyrood or otherwise constrained by statutory requirements.

Scotland's devolved powers over taxation are quite tightly constrained and defined. The main tax devolved to Holyrood – responsible for a little under a quarter of all revenue assigned to Scotland in GERS – is income tax (excluding



income tax on savings and dividends). This tax currently raises a little under £13.5 billion per year and is substantially devolved to the Scottish Government in that while the zero rate Personal Allowance is reserved to the UK Government in Westminster, the Scottish Government has full control over the setting of all other rates and bands. In practice, while Scottish Income Tax is now substantially divergent from UK income tax, there are limits to what can be done – especially around taxing higher incomes (which would likely be beneficial in terms of overall income inequality but likely wouldn't raise substantial amounts of income due to the relative lack of extremely high income earners in Scotland compared to the UK average – most such people live in London already) and the ease with which high earners can avoid such a tax (by taking income in the form of dividends and other capital, thus incurring Capital Gains tax which is both reserved and charged at a much lower rate than Income Tax). The Smith Commission set up in the wake of the 2014 independence referendum and the subsequent amendments to the Scotland Act in 2016 called for the devolution of Air Passenger Duty, Aggregates Levy and an assignment of 50% of VAT raised in Scotland to Holyrood, but at the time of writing, none of these taxes have been delivered and implemented for various reasons such as historic complications with EU State Aid rules, difficulties in making revenue assignments due to lack of data and a lack of political will to deliver on the policies. It is also worth noting that, with the exception of VAT, these taxes are important more for their behavioural and environmental impacts than they are for revenue generation and in the case of VAT, the devolved tax would be offset by an equivalent reduction to the Block Grant to Holyrood, rendering the assignment little more than an accounting exercise and additional administrative hurdle rather than a source of additional tax revenue for Scotland.

It is technically possible for Holyrood to introduce new national-scale taxes but the process itself is difficult and ultimately subject to approval and veto from the UK Government which, at the time of writing, is ill-minded to accept requests from Scotland to further diverge tax structures from the UK and would almost certainly refuse such permission.

However, the Scotland Act contains an important but relatively overlooked clause in Schedule 5, inserted during reforms in 2012, which states that the Scottish Government has full power over “local taxes to fund local authority expenditure”. The wording of the devolution of these powers is such that it grants the Scottish Government almost complete power to create taxes over almost any area within its jurisdiction so long as the funding goes to Local Authorities rather than Holyrood itself. This latter point is possibly the reason that it has not been enacted as several previous Scottish Governments have shown a general unwillingness to grant powers to Local Authorities with the previous acting Finance Secretary John Swinney outright saying that his December 2022 budget – which did not involve new local taxes – was using Scottish budget and tax powers “to the maximum extent that is responsible”<sup>2</sup>. Most recently however, some moves have been made to introduce such local taxes such as a tourist tax levied on overnight stays – bringing Scotland in line with many of our European peers with similar taxes – and a new cruise ship tax designed to allow coastal Local Authorities to benefit from such tourism and mitigate the damage it can cause (again, this would bring Scotland in line with many similar European countries).

Many proposals have been put forward for potential uses of this power from Common Weal's reforms to Council Tax, through proposals to create a whisky production levy and various proposals laid out in a recent paper on local tax reform by the STUC<sup>3</sup> which was welcomed and endorsed by now-First Minister Humza Yousaf during the 2023 SNP leadership campaign. With political momentum building towards greater uses of Scotland's devolved powers over tax, it is time to consider where those powers can be applied, how much revenue they might generate and, perhaps more importantly, what other benefits might arise from changing the shape of income and wealth distribution in this case, literally from the ground up.



# PROPERTY TAX – MORE THAN HOUSES

In 2021, Common Weal published a proposal for the replacement of Council Tax with Property Tax<sup>4</sup> based on the current value of a property – setting a suggested value of 0.63% as a national average to maintain parity with Council Tax revenue at then current estimated property prices. This tax would explicitly only apply initially to domestic properties and their curtilage but we suggested then that it could be applied more broadly to non-domestic properties (thus reforming Business Rates) and to land itself. The purpose of this paper is to expand upon that previous work to attempt to estimate the benefit to Scotland both in terms of additional revenue and in terms of helping to enact land reform and bring Scotland's patterns of land ownership – some of the most centralised and unequal in the developed world – into line with European norms in terms of ownership and democratic control.

To summarise the previous work to replace Council Tax, the Property Tax would be a tax controlled entirely by each Local Authority and would replace the system of rates and bands with a tax based on a percentage of the present market value of a property. This market value could be calculated based on a recent sale price plus changes made to account for a general change in house prices in the area, an algorithmic estimate based on the local housing market and/or by some level of inspection and survey similar to that carried out as part of a Home Report during the sale of a home (this could be particularly important during the initial phases of the implementation of the tax and in areas of low housing turnover). Of these there is great benefit in using an algorithmic method for housing as it is more reliable, much less bureaucratic and means house values update themselves automatically in real time, but it is likely land will need to be valued manually. For the purposes of discussion, the paper introduced the Property Tax at a flat national rate of 0.63% of present value as at the time this was calculated to be 'revenue neutral' with the Council Tax (i.e. across the whole of

Scotland, the Property Tax would raise the same amount of revenue – this tax would correct issues such as 'misbanding' of properties which means that some properties could pay more or less than their current Council Tax (the majority of Scottish homes would pay less Property Tax than they do in Council Tax) and this may result in each Local Authority seeing some variation in their expected revenue. For emphasis though, we do not advocate that the Scottish Government dictates a single national rate for the Property Tax. They may wish to include upper and lower bounds for the tax (as is the case in many countries with analogous systems) but individual Local Authorities should, by the principle of subsidiarity, be free to set their own rates as they see fit.

It should be noted that in the time since the Property Tax paper was published, house prices in Scotland have risen significantly – around 23.5% between January 2019 and January 2023<sup>5</sup>. We estimate that applying the 0.63% rate that was revenue neutral based on 2019 prices may raise around £650 million in additional Property Tax in 2023 depending on how discounts and exemptions are handled. For the purposes of this paper we shall continue to assume that the 0.63% Property Tax is a useful starting point for extending this tax to land, though we believe that the prospect of additional tax revenue from dwellings would be beneficial to strained Local Authority coffers in the short term. This serves as an example of how the Council Tax is not working to reduce or limit house price inflation as it is only ever based on values set more than a third of a century ago and cannot reflect market values in the present time. We also believe that the purpose of a regularly updated Property Tax would be to limit the extreme property value fluctuations that we see in Scotland so we believe that, had the tax been implemented in 2019, the change in property prices since then would have been much more muted – perhaps more in line with house price changes seen in neighbouring countries where houses are valued more as homes than as infinitely appreciating capital assets.

## LAND OWNERSHIP IN SCOTLAND – VAST, EMPTY, WEALTHY, POOR

The patterns of land ownership in Scotland are some of the most pathologically concentrated in the developed world with fewer than 450 people accounting for half of Scotland's privately owned land<sup>6</sup>. It is also an issue that has hung over Scotland's politics for decades or even centuries<sup>7</sup> and has dogged attempts at land reform throughout Devolution era. Previous attempts at land reform have resulted in transfers of land to community ownership. Between 2000 and 2016, more than 153,500 hectares of land were transferred to community ownership<sup>8</sup> however since 2016 and the introduction of the most recent round of land reform legislation in Scotland, the rate of transfer has slowed to a crawl. The overall number of community asset transfers has maintained a steady rate but the scale of assets being transferred have dropped dramatically. Communities are taking ownership of smaller and smaller packets of land. Additionally, the scale of the total amount of assets that have been transferred is still marginal with less than 3% of Scotland's land being held in community ownership – for comparison, this is roughly the same amount of land owned in total between three of Scotland's largest landowners: Anders Povlsen, the Duke of Buccleuch, and Sigrid and Lisbet Rausing.

The reason for the drop in scale of community land transfers is very likely to be linked to the rise of land prices in Scotland and the speculative bubble that has been building over the past several years. These are increasingly linked to the rise of 'Green Laird' activities, such as buying land ostensibly to engage in climate-friendly activities such as rewilding and repairing degraded peat bogs but which are often in fact more closely linked to the 'greenwashing' PR and access to the carbon tax credit market that are linked to such activities<sup>9</sup>. In short, while the current legislation has made it easier for communities to buy out their village hall, the rampant inflation of land prices has made it harder for them to buy out their village.

Land prices in Scotland have risen at a rate outstripping many other 'investment assets' with stocked commercial forest land in Scotland, for instance, increasing in value from £8,500 per hectare in 2018 to £21,000 per hectare in 2022<sup>10</sup> (had such land increased in price only by general inflation, it would be worth just £9,500 per hectare in 2022). The selling price of such land has also consistently been over 120% of the asking price on the market which is indicative of demand for purchases being substantially higher than supply. Similar patterns have been observed in other types of land in Scotland in recent years so it is not a stretch to say that communities are simply being 'priced out' of land, even where legislation has made some steps towards making it theoretically easier for them to purchase such land assuming they somehow had the capital to do so. The high profile failure of a local community to be able to enact a community buyout of the Tayvallich Estate in Argyll – which had an asking price of £10.5 million, equivalent to around £7,800 per hectare – is indicative of Scotland's broader failure to enact land reform and will only be one of many such failures until reform is embedded. A local land tax can, should, and must be a part of this reform, not just by raising revenue which would directly benefit communities who cannot otherwise access the land around them but also by acting as a break or even reversal on the price of land sales (which would have to factor in the tax burden of the asset) and, if done right, would bring prices back down into the range at which communities would have a better chance of owning the land around and under their own feet.

## COMPARING SOLUTIONS – LAND TAX, LAND VALUE TAX AND GROUND RENT

In discussions around taxation of land three basic proposals tend to compete with each other. The first, and the one favoured by Common Weal, is a land tax or Property Tax (PT) based on the market value of the land. This tax takes into account the price of the land plus any developments on it, essentially treating the

land itself as no different from any other kind of property in terms of being a valuable, and thus taxable, wealth asset. This kind of tax is comparatively easier to calculate compared to the other options and can be done by direct assessment of the land (often as part of major changes to the land or land use), by comparing a plot to similar plots in the surrounding area and what they have recently sold for or simply by marking the price of the land as it was when it was last sold and adjusting for factors such as inflation or general market trends. The downside of this kind of tax is that it does not account for the use of the land – except in retrospect where using the land in a certain way may adjust its real or perceived value – and thus may have a more limited ability to adjust proactively the behaviour of land owners to use their land in a way that maximises benefit or minimises costs to the environment or greater society. Instead, such adjustments are made via ‘the market’ which can lead to perverse incentives such as polluting activities being highly profitable because the ‘externalities’ caused by such pollution are not paid for by the landowner but by the planet. As such, a land tax may have to be coupled with an Externality Tax or planning, regulation and inspection regimes to ensure that the land is managed in a manner that is sustainable to the environment or, at the very least, the landowner is financially liable for cleaning up the mess that they create.

The next is a land value tax (LVT)<sup>11</sup> which seeks to tax the theoretical value of the land, divorced entirely from any use that it is put to – in principle, it states that a piece of land that is potentially valuable but underused should be charged at the same rate as the same piece of land that has been maximally and optimally developed. By removing the ‘value’ of any developments on the land, an LVT seeks to only tax the ‘true’ theoretical productive value of the land, to avoid any risk of ‘double taxation’ of the assets or uses that the land is put to as well as to encourage the optimal development of that land, if only so that the owner can generate sufficient revenue to pay the tax. The downside of the tax is the extreme complexity of valuing such land, especially when considering its maximum potential. Even just defining the concept of that potential is a highly political act as a government must decide, for example, if the potential of the land to generate

profit for the owner via polluting activities is a higher priority than, say, the land's capacity to absorb carbon as part of climate goals.

Building on the idea of an LVT taxing land whether or not it is ‘optimally used’ is the idea of taxing the pollution caused by land use. In October 2023, the Scottish Government announced via the Scottish Green Party Conference that they were going to investigate adopting the proposal for a carbon emissions land tax advocated by the John Muir Trust<sup>12</sup> – this proposal has been formally endorsed by Common Weal via our membership of the REVIVE Coalition. The tax operates by measuring the greenhouse gases (GHGs) emitted by (in this case mostly upland) land uses and levies a tax per tonne of GHGs emitted while providing a rebate for GHGs absorbed. Under current land use patterns, The John Muir Trust estimates that a notional average tax of £3 per hectare of Scottish land not currently meeting its carbon capture potential would raise around £15 million per year in net tax revenue, however the point of this tax is specifically to encourage land use changes that minimise the amount of tax raised so it is expected that an actual implementation of this tax would raise substantially less than this and ideally in the long term shouldn't generate revenue at all.

While Common Weal endorses this proposal, we do also recognise its limits. By only taxing carbon, this proposal may not fully capture other detrimental impacts of environmentally suboptimal land use such as nitrogen runoff (as of the time of writing, the UK Government is considering dropping proposals to limit the runoff pollution caused by building houses on greenspace land), soil degradation or other environmental ‘externalities’ not currently paid for by those who cause the damage. A poorly implemented version of the legislation may also have perverse effects that encourage pollution to take place elsewhere. One example was anecdotally explained to the author by a farmer in Scotland who was impacted by carbon calculations on their land for the purposes of bidding for a sustainability award. If the farmer produced and used organic manure as a fertiliser then the carbon emissions created by the decomposition of the manure may be impacted by a badly written carbon land tax. However, if

the farmer used a chemical fertiliser that was produced in an industrial setting then the carbon emissions associated with its manufacture may not be included as coming 'from the land' but from the factory that produced the fertilizer and therefore may not be captured by such a land carbon emissions tax – this is despite the lack of an industrial carbon tax being applied to the fertiliser manufacturer (which may not even be based in Scotland and thus could not be taxed at all by Scottish legislation except via a trade tariff such as the European Union's new carbon border adjustment mechanism). Once again, Common Weal endorses the proposal of a carbon emissions land tax and we support the campaign for its adoption but in order for it to reach its full potential, the tax must be part of a much broader 'Polluter Pays' externality tax system and a regulatory system that makes it illegal to pollute in the first place rather than one that simply taxes those who can afford to do so. It is clear that this kind of externality tax has its place in the land tax landscape but it must be seen as additional to a tax on the ownership of land rather than a replacement of it. In short, a Property Tax would tax your ownership of a piece of land whereas an Externality Tax would tax the pollution you cause by misusing that property.

Finally, and taking a slightly different approach, a case has been made, particularly in Scotland by Graeme McCormick<sup>13</sup> but also historically by 19th century American economist Henry George<sup>14</sup>, for land to attract an Annual Ground Rent. The difference between a Ground Rent and a Land Tax can be somewhat semantic or philosophical rather than financial. Either policy could be set to generate same amount of revenue from the same plot of land and the Ground Rent could be calculated in a manner that resembles either a Property Tax or a Land Value Tax. Philosophically, however, there are important differences. A Land Tax is a tax by the government on a plot of land that is owned as property by the landholder. A Ground Rent is based on the principle that land cannot, itself, be owned by an individual person or corporate entity but can, at most, only be possessed collectively by the Commons, managed by the government of the state on behalf of the people and may be rented by citizens for their private use. While the author has a great deal of sympathy with this view, this would require a radical upheaval of the current

status quo of land ownership in Scotland – as great as the upheaval that created the current system of monopoly land ownership<sup>15</sup> – and may be legally challenged on various human rights grounds (which is not to say that it is an unworthy goal). By effectively re-nationalising land, this policy may have implications for the transfer of custodianship of such land – particularly in terms of policies such as inheritance laws. George and McCormick's proposals in particular seek to replace all or almost all national government revenue with this ground rent, setting the rates and levies such that income-based taxes such as income tax and consumption-based taxes such as VAT could be abolished. This might be an arguable proposal from a strictly financial point of view but neglects the behavioural and social impact of taxes beyond the strictly financial. Progressive income taxes help to avoid the known and corrosive effects of income inequality on society while consumption-based taxes can be used to discourage damaging behaviours (such as by reducing alcohol consumption via an alcohol levy or moderating transport emissions via fuel or road taxes) or to encourage beneficial behaviours (such as by cutting taxes on sustainable transport or health-improving activities). Folding all of taxation into a single Ground Rent might balance the books, but would greatly diminish the powers of government to effect policies.

Ultimately, the case against an LVT or a Ground Rent based on the productive or economic value of the land (real or speculative) lies in the fact that currently the main driver of the price of land is speculation and rent-seeking. This has led to an overvaluing of land and the leveraging-up of prices that must be arrested and reversed if communities are to be able to enact local land reform and to start using their land in more productive ways. Taxing land based on its market rather than productive value will therefore act as a tax against that speculative increase in price in addition to the productive value of the land. Eventually, as this land tax has its desired effect of reducing land price speculation, the price of land should find a new equilibrium closer to the productive value and total land tax revenue should settle at something closer to equivalence with an optimum LVT or Ground Rent.

Finally, the particular proposal for extending the

Property Tax from housing to include land as well differs from most theoretical (and, indeed, actual) land taxes by not being a dedicated and specific land tax. Instead, we recognise that Scotland's extreme inequality in land ownership has been a barrier to the implementation of a dedicated land tax and that even if it was implemented, the disproportionate power of a relatively few land owners could erode the effectiveness of the tax via lobbying or other means of political influence. By keeping the Property Tax on land linked to the Property Tax on homes, we make it clear that we do not differentiate between the two forms of wealth accumulation and we wish to maintain a maximum level of democratic engagement in developing the tax. We also see this method as being substantially simpler to implement than a dedicated land tax and so this could smooth the political path towards acceptance. As a final illustration of why housing and land should be considered the same kind of asset for the purposes of tax, we only need to consider that real estate agents and conveyancing solicitors already deal with both on broadly equivalent terms of marketing and legal ownership.

Given the short-term complexities of nationalising land to create a Ground Rent or calculating the theoretical productive value of land to create a Land Value Tax, we therefore settle on a land tax that is based on the present market rate of land and propose bringing that value under the purview of the Property Tax we propose for domestic buildings as opposed to creating a separate 'land tax'. This should be coupled with one or more Externality Taxes such as the carbon emissions land tax, however further discussion of those lies outwith the scope of this paper.

## INTERNATIONAL EXAMPLES – AUSTRALIA, DENMARK AND ESTONIA

While many countries use metrics including land size within their property tax regimes, pure land taxes in general are perhaps surprisingly uncommon in the developed world with only a few countries in the OECD – notably Australia,

Denmark and Estonia – using them. In each case, these countries do not control their land taxes at a national level but at a state or local level.

In Australia, many, though not all, of the states implement a land tax<sup>16</sup>. For example, in New South Wales<sup>17</sup>, the tax is levied on the value of all land owned within the state by an individual (either directly or via a trust, company or other body) at midnight on December 31st of each year. Exemptions can apply such as to a primary dwelling, farmland or land holdings with a total value below the land tax threshold which was \$822,000 in 2022. The value of land above this threshold was taxed in 2022 at a rate of \$100 + 1.6%. This means that an individual owning \$1 million worth of land who was not exempt from the tax threshold would pay \$2,948. A higher rate of \$67,364 + 2% is levied on land holdings above \$5,026,000. Additionally, foreign land owners pay an additional surcharge of 2% in 2022 (rising to 4% from 2023).

In Estonia<sup>18</sup>, the land tax is controlled by local municipal governments – analogous to, but much more powerful than, Scotland's Community Councils<sup>19</sup> – and can be varied anywhere between 0.1% and 2.5% (though a major national-scale land revaluation exercise that took place in 2022 has prompted the national government to reduce the upper limit to 1.0% from 2024 onwards). The thresholds also vary depending on land use, with residential and 'profit-yielding' land benefiting from an even lower maximum cap of 0.5%. A protective mechanism also exists whereby the tax levied on a portion of land will not rise by more than 10% per year even if the value of the land or the levied rate of tax is increased by more than that. As with Australia, various exemptions, incentives and discounts also exist, including a threshold of 0.15 hectares for urban land and 2.0 hectares for rural land underneath an individual's primary dwelling. Land tax and the thresholds are also shared amongst dwellings on a particular piece of land with the consequence that most people in high density residential areas (such as an apartment block) do not pay the land tax as their proportional 'share' of the land underneath the footprint of the block generally falls below their personal tax threshold. The owner of a €1 million landholding in Estonia would owe €5,000 per year minus any applicable thresholds, exemptions or discounts.



In Denmark, while the property value tax (analogous to Scotland's Council Tax) is levied at a national level, the land tax is, like Estonia, paid to municipalities. This tax is set between 1.6% and 3.4% of the land value although strictly agricultural land benefits from a 1.48% discount to the "headline" rate and a maximum ceiling of 0.72% - effectively meaning that agricultural land is taxed at rates between 0.12% and 0.72% of rated value. Various other discounts and exemptions exist for public land (e.g. roads, town squares etc), state-owned property or for land used by various qualifying organisations, such as non-profit institutions or energy companies, at the discretion of the municipality. Unusual amongst countries, Denmark charges Danish citizens a land tax on their land owned outwith Denmark, which results in Scotland's largest landowner – Anders Povlsen – already paying a land tax on his Scottish estates, but making these payments to Denmark, not Scotland.

## APPRAISING SCOTLAND – WHAT LAND, WHERE?

As stated previously, the idea of a land value tax based on the theoretical value of land runs into the difficulty of trying to appraise that land – doing so at scale is likely to be an extremely complex and expensive enterprise. However, a Property Tax based on the current market value of land is also somewhat difficult given that only a small fraction of land in Scotland is up for sale in any given year. On average, around 13,000 hectares of farmland<sup>20</sup> is publicly marketed for sale in Scotland in any given year out of a total of around 6.2 million hectares – a turnover rate of just 0.2% (for comparison, the turnover rate of domestic house sales in Scotland is closer to 4%<sup>21</sup>), although this figure does admittedly exclude transfers of land that occur off-market which are more difficult to monitor though are believed to comprise around 20% of total farmland transfers.

In January 2022<sup>22</sup>, in official advice to the Scottish Government's Ministers, the Scottish Land Commission – an established government advisory body whose commissioners and Chair

are appointed on the recommendation of the Scottish Parliament – called for a programme to bring all land onto the valuation roll. This would create a register of ownership and a direct estimation of the market value of land from which the taxable rates could be levied. However, as of the time of writing, the Scottish Government has not yet established this programme and so for the purposes of this paper, a more indirect route must be taken to estimate the potential of a Property Tax on Scottish land.

Estate Agent Strutt & Parker provides regular market updates for Scottish farm and land sales and can be used to estimate the average value of land across various agricultural uses. In their Spring 2023 report<sup>23</sup>, they estimated that prime arable land in Scotland was priced at around £9,500 per acre though this did range as high as £16,000 per acre in some parts of Lothian. Their 2023 report did not break pricing down by various land use and soil types; however their 2022 report did<sup>24</sup>. It found then that the average price for prime arable land ranged from £7,000 to £19,500 per acre whereas at the other end of the spectrum rough hill or grazing land not suitable for commercial forestry was the least valuable land at around £200-£2,000 per acre. Table 2 in the Appendix reproduces this chart.

Additional information on the price of land in Scotland can be found by looking at the sale of larger estates such as the aforementioned Tayvallich Estate. These estates only come on to the market infrequently as well (many have been sequentially inherited by the same family for generations) but they do provide examples of where land is currently not being effectively taxed.

Table 1 in the Appendix provides some examples of estate sales in Scotland in 2022/2023, along with their size and marketed value (which may, of course, differ from their final sale price). It also provides an illustration of the annual tax due from the estate should Common Weal's proposal for a Property Tax covering land and buildings be implemented at a notional rate of 0.63% of the property value. Our proposal is that, unlike Council Tax which is paid by home occupants, the Property Tax would be paid by the owner of buildings and land (though there is provision for landlords to recoup some or all of this tax from tenants as part of their rent up to the

equivalent tax they would pay as if they owned the rented property) so the value of the estate would provide an estimate of the tax due across the whole estate regardless of any tenanted properties on it.

To bring back the example of the Tayvallich estate which sold for £10.465 million in March 2023, the owner of the estate would be liable for an annual Property Tax of £65,930 (substantially higher than the maximum Council Tax paid on the central manor house of £3624.04).

Another example – and one which particularly shows the broken nature of Council Tax – was the sale of Oldany Estate in Lochinver, Sutherland in June 2022. This 77 hectare estate sold for around £900,000 which would imply an annual Property Tax of £5,670. Currently, however, the estate is banded as Council Tax Band E meaning that Highland Council only charges the occupant of this estate £1,875.17 in Council Tax. This is £1,622 less than if the estate was re-banded as Council Tax Band H and £3,795 a year less than if Council Tax was replaced by Common Weal's Property Tax. In an era of ever-tightening Local Authority budgets, it is almost unforgivable that Council Tax has remained in place for so long and that Local Authorities are unable to tax property effectively based on its true current value rather than what its notional value was more than a third of a century ago.

The final piece of the puzzle of land taxation is to determine what land is available in Scotland and where it is. Extensive and detailed maps of Scottish soil types are available in studies such as the Macaulay Institute's Land Capability for Agriculture survey (LCA) which classifies land across seven bands (plus several sub-divisions) ranging from Grade 1 Prime Arable to Grade 7 Rough Grazing. This dataset is broken down to Local Authority level which shall allow an estimate not just of the revenue capability of a Property Tax on land across the whole of Scotland but also the local element as well – a factor that is crucial given that this will, by the nature of devolution, be a locally controlled and gathered tax. One limitation to this database however is that it was produced using data gathered in the 1980s and so, like Council Tax, is potentially significantly out of date. A full and

official implementation of a Property Tax on land should involve an up-to-date assessment of land value in all areas of Scotland with these values added to the land's entry on the Land Register.

One final abstraction in this data is the uncertainty over how much of Scotland's hillside land is suitable for forestry and how much of that forestry is commercially exploitable. Strutt & Parker now note that Scotland's uplands that were previously valued based on their capacity for deer or grouse shooting are now increasingly valued based on forestry and carbon capture potential. As of 2023, around 18.5% of Scotland's land is forest<sup>25</sup> (compared to an EU average of 38%) and Common Weal has proposed that up to 50% of Scotland could be restored to woodland<sup>26</sup>. However, much of this new forest should not be commercial clear-cut sitka spruce (a product of turning Scotland into a managed monoculture just as ecologically damaging as grouse shooting) and much should not be commercial at all but should be restored to rewilded woodland resembling the remaining fragments of the Caledonian Forest. However, research by Common Weal has shown that many forms of land management are more environmentally and economically productive than current uses<sup>27</sup> and so may, in the absence of inflation due to speculative price increases, be expected to create an uplift in land value and thus an uplift of Property Tax revenue from the land (as well as additional tax revenue and economic activity from the higher quality and higher paid jobs produced). For the purposes of this paper, it shall be assumed that an area of upland 'reformed' in this way will see its value uplifted to a rate similar to that of commercial forestry. That is, we assume that a hectare of grouse moor turned into a rewilded tourist trail, or turned over to agroecological use will, on average, be as economically valuable as turning it into commercial monoculture forest (in addition to probably being more ecologically valuable than monocultured sitka spruce plantations).



# APPLYING LAND TAX TO SCOTLAND – REVENUE AND DEMOCRACY

## The National Scale

For emphasis, the primary purpose of this Property Tax proposal is to remove the distinction between owning buildings and owning land. Therefore while we have extended our Property Tax to land, it is not the intention to set a different rate of land tax as would be applied as a Property Tax on buildings. The precise rate of 0.63% is, however, set purely to maintain national revenue parity with the current Council Tax rather than being an optimum target rate. It is therefore still instructive to compare the financial impact of different possible rates.

Combining the land value data from Strutt & Parker with land capability data finds that a flat 0.63% Property Tax applied across Scotland under current patterns of land use and value would raise approximately £443 million per year based on land values set at the midpoint between the minimum and maximum recorded by Strutt & Parker for each land grade. If Scotland enacted substantial land reform along the lines proposed by Common Weal and this resulted in a change of use patterns consistent with the Green New Deal (that is, with around 50% of Scotland's Grade 6 and 7 land becoming as economically valuable as Grade 6 and 7 land is where it is suitable for commercial forestry) then this value would increase to approximately £497 million per year.

As stated in the overview, other countries have their own means of taxing land. If Scotland applied Denmark's land tax regime to Scotland – which would require a separate land tax and

Table 1 – Property Tax Revenue by Local Authority and LCA Grade of Land (All revenues in £m)

Type of Land	Prime Arable	Secondary Arable	Permanent Pasture	Rough Grazing/Hill – Unsuitable for Forestry	Rough Grazing/Hill – Suitable for Forestry	Total (£mn)
LCA Grades	1.0 – 3.1	3.2 – 4.2	5.1 – 5.3	6.0 – 7.0	6.0 – 7.0	
Aberdeen City	£0.19	£1.04	£0.07	£0.00	£0.00	£1.30
Aberdeenshire	£30.77	£21.60	£4.22	£2.05	£1.87	£60.52
Angus	£13.99	£4.41	£1.57	£0.92	£0.84	£21.73
Argyll and Bute	£0.05	£3.23	£6.90	£7.08	£6.43	£23.69
City of Edinburgh	£1.84	£0.34	£0.08	£0.01	£0.01	£2.29
Clackmannanshire	£0.19	£0.76	£0.02	£0.07	£0.06	£1.11
Dumfries and Galloway	£9.06	£13.68	£10.72	£3.23	£2.94	£39.63
Dundee City	£0.43	£0.00	£0.00	£0.00	£0.00	£0.43

East Ayrshire	£0.05	£4.82	£1.40	£0.57	£0.52	£7.36
East Dunbartonshire	£0.29	£0.74	£0.07	£0.04	£0.04	£1.18
East Lothian	£7.72	£1.18	£0.69	£0.03	£0.03	£9.65
East Renfrewshire	£0.00	£0.79	£0.23	£0.02	£0.01	£1.05
Falkirk	£1.13	£1.27	£0.24	£0.00	£0.00	£2.66
Fife	£10.56	£5.36	£0.56	£0.02	£0.02	£16.51
Glasgow City	£0.14	£0.18	£0.01	£0.00	£0.00	£0.34
Highland	£9.50	£16.28	£21.13	£26.21	£23.83	£96.94
Inverclyde	£0.00	£0.48	£0.24	£0.05	£0.04	£0.82
Midlothian	£2.86	£0.91	£0.24	£0.06	£0.05	£4.12
Moray	£3.65	£8.00	£2.71	£0.83	£0.75	£15.95
Na h-Eileanan Siar	£0.00	£0.51	£2.05	£3.36	£3.05	£8.98
North Ayrshire	£0.73	£2.41	£0.64	£0.57	£0.52	£4.86
North Lanarkshire	£0.04	£1.94	£0.67	£0.02	£0.02	£2.69
Orkney Islands	£0.00	£4.33	£1.16	£0.35	£0.32	£6.16
Perth and Kinross	£12.88	£8.86	£4.47	£3.79	£3.45	£33.45
Renfrewshire	£0.19	£1.06	£0.16	£0.04	£0.03	£1.49
Scottish Borders	£19.16	£9.48	£8.06	£1.63	£1.49	£39.82
Shetland Islands	£0.00	£0.41	£1.87	£1.42	£1.29	£4.98
South Ayrshire	£1.47	£4.58	£1.21	£0.51	£0.46	£8.23
South Lanarkshire	£0.11	£6.47	£2.49	£0.64	£0.58	£10.29
Stirling	£0.00	£4.90	£1.96	£1.69	£1.54	£10.09
West Dunbartonshire	£0.00	£0.48	£0.15	£0.05	£0.05	£0.74
West Lothian	£2.06	£1.44	£0.54	£0.02	£0.01	£4.08
Scotland	£129.08	£131.95	£76.58	£55.28	£50.25	£443.14

buildings tax and would negate part of the purpose of our current proposals – then this rate would be set individually by municipal councils rather than a single national rate. On average across the whole country and taking into account discounts and exemptions, Denmark as a whole levies around 0.72% of a land's value as tax. Applying this to Scotland without any land use changes would bring in around £500 million. If Scotland charged the maximum rate allowable to Danish municipalities and did not apply any discounts, then this would imply a land tax of 3.4% and potential revenue of £2.4 billion based on average land values. This is obviously an unlikely figure to reach as it is probably not sustainable given current agricultural sector income (even in Denmark, as evidenced by the substantially lower average value of tax levied there).

## Local Tax Revenues

As stated in the introduction, Scotland's devolution arrangements make it unlikely that a land tax such as this Property Tax can be applied and controlled from Holyrood. Like the Council Tax it seeks to replace, it will likely be developed as a tax controlled and collected by Local Authorities and used to fund Local Authority budgets (however should Scotland develop a system of truly local democracy via municipal-scale councils<sup>28</sup> then, like Denmark, there is a case to be made for the tax to be controlled by them instead).

The LCA survey data is helpfully broken down by modern Local Authority boundaries which makes it possible to determine how various Councils would benefit from a Property Tax on their land. This table is based on roughly current land uses (i.e. Rough Grazing is assumed to be 80% unforested land and 20% forested land to allow for a slight change in land use and afforestation rates since 2019) and is based on land values taking an overall average between the ranges given by Strutt & Parker.

As can be seen, the £443mn total tax revenue sees a wide disparity in accrual rates across the various Local Authorities as they all vary by size, rurality and land quality. The Local Authority likely to gain the most is Highland Council which

is by far the largest 'local' authority in Scotland – as well as the most rural. Whilst it doesn't have as much prime agricultural land as some other areas, it benefits from the largest areas of the lower grades of land and this contributes to more than half of the £97 million Highland Council would receive in Property Tax applied to land under this scheme. This is more than two thirds of the revenue that is currently raised by Council Tax (which would be retained after the transition as the Property Tax applied to buildings would replace on a revenue neutral basis) and almost double the current expected shortfall in Highland Council's budget<sup>29</sup>.

The next highest beneficiary of the Property Tax on land is Aberdeenshire which, although smaller than Highland, benefits from some of the highest value and more fertile soils in Scotland – almost a quarter of Scotland's grade 1-3.1 prime arable land lies in Aberdeenshire and would result in the Authority attracting around £60.5 million per year in taxes on its land. At the other end of the spectrum, Scotland's urban councils are the least likely to benefit with highly urbanised Glasgow received only £0.34 million per year in taxes on its land. (However, urban councils already benefit more than rural councils in terms of their Council Tax on housing so the two effects are likely to be complimentary – and a Property Tax on land may still benefit Glasgow in terms of encouraging development of vacant urban areas throughout the city).

This tax on land could become a substantial tool in the hands of Local Authorities. Set at the proposed rates a total of five Local Authorities (Dumfries & Galloway, Highland, Na h-Eileanan Siar, Orkney Islands and Scottish Borders) would receive revenue equal to or greater than 50% of their respective current Council Tax revenues<sup>30</sup>. A further six would see their Property Tax on land exceed 30% of current Council Tax revenue. See Table 4 in the Appendix for a comparison of land tax revenues with Council Tax revenues for each Local Authority.

We should also remember that these rates are applied based on a current assumption of revenue neutrality with the Council Tax and it would be up to Local Authorities to adjust rates as they see fit. It may even be possible to adjust the rates based on LCA land use

grades. However this would serve to re-create the distinction in 'property' between 'land' and 'buildings' and turn the Property Tax on land into a separate Land Value Tax – something that Common Weal would prefer did not happen for reasons outlined above.

## Limits to the Tax – Land Rich, Income Poor

If the 0.63% rate of Property Tax is applied based on the range of land values in the Strutt & Parker data then this implies a tax per acre of land ranging from £1.26 for the lowest value hill grazing land with no forestry potential up to £122.85 per acre per year for the very highest value prime agricultural land (See Table 3 in the Appendix). It is expected that this kind of tax will result in some land uses (such as loss-making grouse shooting) being disincentivised by this tax and other land uses adapting to become more productive or change their land use in order to pay the tax. Nevertheless the primary purpose of the tax is to reduce land ownership inequality and to reverse land value speculation, so it is expected to result in a reduction in value of overinflated land prices which would also make tax burdens more affordable. As with the present Council Tax, it is expected that Local Authorities would have the power to introduce discounts and exemptions for certain groups like family smallholders, crofters or community-owned land whereas it is also possible to imagine surcharges similar to proposed Council Tax surcharges on second and vacant homes which may be applied, for example, to absentee landlords or land owned by corporations and trusts rather than individuals, or possibly to land owned in excess of a 'reasonable' ceiling such as the 500 hectare limit currently being proposed by Labour MSP Mercedes Villalba<sup>31</sup>.

While wealth taxes such as this Property Tax as applied to land have their role in ensuring equality and limiting the ability of the excessively wealthy to crowd out community engagement in communal assets, wealth taxes do have a significant disadvantage compared to income taxes in that they are not as closely linked to the responsible individual's 'ability to pay'. It is possible to conceive of situations where someone has very little independent income of their own

but are largely self-sufficient based on their own labour on their own farm – yet it may be that that farm land is deemed valuable enough (perhaps due to land speculation in the surrounding area that is outwith the owner's control) to attract a significant tax burden when the Property Tax is applied. However Scotland is not a subsistence agrarian economy so it should be possible to manage these edge case scenarios via the aforementioned discounts and exemptions schemes as well as by phasing in the Property Tax over a period of several years to make it possible to adapt land use practices (which is suggested anyway to help ease the transition from Council Tax to Property Taxes applied to buildings). While poverty in rural Scotland is an extremely significant and important issue, it is more likely to be linked to the lack of access to land rather than a surfeit of land-rich, income-poor landowners<sup>32</sup>. However, edge cases are both hard to predict and important to consider so any tax must also consider the possibility of exemptions or discounts to its headline rate to account for these possibilities.

## Exemptions and Discounts

The figures presented in this report are likely to be the gross revenue barring discounts and incentives that will almost certainly be required to some degree. A detailed discussion of the precise nature of those exemptions is beyond the scope of this paper (especially as the choice to give one person an exemption and not another is a highly political choice) but some inspiration can be taken from either the international examples of where Land Tax is used or similar taxes already in place in Scotland.

Some land could be given exemptions based on their current use – As stated, Denmark applies a deep discount to its land tax when applied to agricultural land. Scotland may wish to consider something similar (especially as prime agricultural land in particular may also attract the tax per acre at any given percentage tax rate) however Scotland may wish to be wary of how this is applied in practice as it is already an established practice for owners of grouse moors to use sheep in part as a means of attracting agricultural subsidies that a straightforward sporting estate would not otherwise qualify for.

Certain groups may wish to apply for a discount or exemption based on their status. Again, the Danish example of offering discounts and exemptions to public institutions, charities or other ‘public good’ bodies may be worth examining – though this comes with the warning that the bodies themselves should have to demonstrate that their activities for the public good would be significantly impaired by the tax without exemption otherwise there is a risk of estate owners applying for charitable status as a tax dodge.

The story of the ‘land-rich, income-poor’ landowner being forced off the land by this tax is likely more easy to exaggerate than to underplay, but the risk may be significant enough to warrant intervention. This could be dealt with via a ceiling on land tax payments that is linked to income (so that one would never pay more than a certain percentage of gross income in land tax). Another is to grant a ‘Personal Allowance’ of land outwith the curtilage of one’s home that would allow for smallholdings to be tax-free or to receive a discount while still taxing larger estates. In both cases, it is vital that this kind of exemption is applied at an individual level (that is, it would not apply to land owned by a company or a trust, even if there is only a single owner of that company) and that it would apply in aggregate and non-contiguously so one individual couldn’t stack exemptions by owning multiple small estates or by splitting a large estate amongst multiple legal entities.

Finally, if considering discounts, it may be worth considering surcharges as well. An owner of land in excess of a certain amount may have to pay an additional rate – similar to the second home surcharge on Council Tax or the Additional Dwelling Supplement on Land and Buildings Transaction Tax. As stated earlier, Australia applies a surcharge to land owned by foreigners – something that could equally be applied to owners not normally resident on the land they own regardless of their citizenship status or, as mentioned above, in cases where land is owned not by an individual but by a company or a trust.

Ultimately, we must consider exemptions and discounts (or surcharges) with respect to the intention of the land tax. If an exemption serves to discourage community ownership or small, individual farms, or if it serves to encourage

large estates consolidating their ownership and control over land, then it will be detrimental to the primary purpose of the land tax as a vehicle for land reform.

## CONCLUSION

Land in Scotland represents the single largest sector of untaxed wealth in the country. Apart from mere wealth, those who own land are able to exert a great deal of power and privilege over those who live and work on that land – far beyond the power granted to them as an equal citizen with a single vote in a democracy. The track record of many of Scotland’s largest landowners is poor, with multiple studies showing that vast areas of Scotland are economically, socially, and culturally underdeveloped due to the land being used primarily to exclude all but a small and favoured few. The state of landownership in Scotland is once again undergoing transition with the hunting estates that displaced and replaced crofting communities now being replaced in turn by estates turned over to harvesting carbon credits and other public subsidies that should be designed to promote the Green New Deal rather than greenwashing the polluting activities of the already wealthy. Taxing land in a manner that allows for change in ownership patterns and encourages better and more democratic control of land is vital and should be considered beyond any mere financial impact of the tax.

That financial impact would be significant. By applying a proportional Property Tax to the value of land – and thus treating ownership of land identically to the ownership of housing – Scotland as a whole could raise around £443 million per year before any significant change in land use takes place. This paper represents the most comprehensive and detailed examination of how a locally controlled land tax would impact Scottish Local Authorities to date and finds that it is substantial enough to significantly narrow or even completely close upcoming projected budget shortfalls. A land tax such as this also functions in a complementary manner to the Property Tax applied to housing (and the Council Tax we propose that it should replace) by benefiting rural Councils that are often left with

less autonomous tax income due to their lack of housing stock relative to more urban Councils. Given Local Authorities more democratic control over a greater percentage of their overall budgets will induce benefits in the form of greater trust in local politics and greater local accountability in policies affecting land whether they stem from local or national level.

The Scottish Government should recommit to its principles of subsidiarity, local democracy, local autonomy and to broader commitments to land reform, social equality and community empowerment by acting with urgency to replace the Council Tax with Common Weal's Property Tax and extending it to apply to land as described in this paper.

## APPENDIX

Table 1 – Examples of recent estate sales in Scotland

Location	Price (£million)	Size (acres)	Price/acre	Property Tax due per year (at 0.63%)
Glenprosen Estate, Angus	£17.60	16,500	£1,070	£110,880
Sands Estate, Wester Ross	£0.90	7,156	£126	£5,670
Oldany Estate, Sutherland	£0.90	190	£4,737	£5,670
Ardhuncart Estate, Aberdeenshire	£5.65	1,593	£3,544	£35,564
Upper Drum & Lower Drum Fishings, Aberdeenshire	£0.80	87	£9,195	£5,040
Lagg Estate, Sutherland	£1.20	618	£1,942	£7,560
Tayvallich Estate, Argyll	£10.47	3,380	£3,096	£65,930
Borraig, Skye	£1.33	2,396	£553	£8,348

Table 2 – Range of the values for each land type

Type of land	Prime Arable	Secondary Arable	Permanent Pasture	Rough Grazing/Hill – Unsuitable for Forestry	Rough Grazing/Hill – Suitable for Forestry
Minimum Value (£/acre)	£7,000	£4,000	£1,500	£200	£2,500
Maximum Value (£/acre)	£19,500	£7,000	£5,500	£2,000	£5,500

Table 3 – Property Tax per acre per year – indicative rates

Type of land	Prime Arable	Secondary Arable	Permanent Pasture	Rough Grazing/Hill – Unsuitable for Forestry	Rough Grazing/Hill – Suitable for Forestry
0.63% Property Tax per acre – Minimum revenue	£44.10	£25.20	£9.45	£1.26	£15.75
0.63% Property Tax per acre – Medium revenue	£83.48	£34.65	£22.05	£6.93	£25.20
0.63% Property Tax per acre – Maximum revenue	£122.85	£44.10	£34.65	£12.60	£34.65

Table 4 – A comparison of proposed Land Tax revenue with current Council Tax revenues

	Council Tax Revenue, 2021-22 (before Council Tax Reductions), £mn	Council Tax Revenue, 2021-22 (after Council Tax Reductions), £mn	Property Tax on Land, £mn	Property Tax revenue as % of gross Council Tax Revenue
Aberdeen City	£131.10	£128.40	£1.30	0.99%
Aberdeenshire	£153.94	£151.77	£60.52	39.31%
Angus	£54.19	£52.88	£21.73	40.10%
Argyll and Bute	£57.56	£56.24	£23.69	41.16%
City of Edinburgh	£293.88	£287.49	£2.29	0.78%
Clackmannanshire	£24.85	£23.97	£1.11	4.45%
Dumfries and Galloway	£72.44	£70.24	£39.63	54.71%
Dundee City	£60.94	£57.93	£0.43	0.70%
East Ayrshire	£55.64	£53.37	£7.36	13.22%
East Dunbartonshire	£68.52	£67.37	£1.18	1.72%
East Lothian	£61.94	£60.65	£9.65	15.59%
East Renfrewshire	£55.36	£54.37	£1.05	1.89%
Falkirk	£71.70	£69.70	£2.66	3.70%
Fife	£177.76	£172.59	£16.51	9.29%
Glasgow City	£260.29	£243.17	£0.34	0.13%
Highland	£134.34	£131.25	£96.94	72.17%
Inverclyde	£34.63	£33.05	£0.82	2.37%
Midlothian	£51.54	£50.36	£4.12	8.00%
Moray	£46.92	£45.98	£15.95	33.99%
Na h-Eileanan Siar	£12.27	£11.96	£8.98	73.19%
North Ayrshire	£62.81	£59.89	£4.86	7.74%
North Lanarkshire	£130.88	£125.20	£2.69	2.06%
Orkney Islands	£10.31	£10.09	£6.16	59.80%



Perth and Kinross	£90.99	£89.36	£33.45	36.76%
Renfrewshire	£89.67	£86.46	£1.49	1.66%
Scottish Borders	£62.36	£61.02	£39.82	63.86%
Shetland Islands	£10.46	£10.29	£4.98	47.63%
South Ayrshire	£62.31	£60.34	£8.23	13.21%
South Lanarkshire	£148.40	£143.47	£10.29	6.94%
Stirling	£54.05	£53.02	£10.09	18.67%
West Dunbartonshire	£40.22	£38.21	£0.74	1.83%
West Lothian	£82.49	£80.05	£4.08	4.94%
Scotland	£2,724.74	£2,640.12	£443.14	16.26%

## REFERENCES

- 1 Common Weal, New Economics Foundation and REVIVE Coalition, "Our Land", Common Weal Policy, May, (2021)
- 2 J Swinney, "A Budget for a Fair Scotland", Scottish Government, December, (2022)
- 3 H Reed, "Options for increasing taxes in Scotland to fund investment in public services", STUC, December, (2022)
- 4 A MacNeish Porter, "A Property Tax For Scotland", Common Weal Policy, February, (2021)
- 5 UK Government, "UK House Price Index Scotland: January 2023", UK Government National Statistics Release, March, (2023)
- 6 J Hunter et al, "432:50 – Towards a comprehensive land reform agenda for Scotland", House of Commons Scottish Affairs Committee Briefing Paper, July, (2013)
- 7 A Wightman, "The Poor Had No Lawyers", Birlinn Press, August, (2011)
- 8 Rural & Environmental Science and Analytical Services, "Community Ownership in Scotland 2021", September, (2021)
- 9 D Segal, "Who Will Profit From Saving Scotland's Bogs?", New York Times, May, (2022)
- 10 John Clegg & Co, "The Forest Market Review Great Britain 2022",
- 11 Scottish Land Commission, "Land Value Tax", Briefing Note, October, (2018)
- 12 John Muir Trust, "Carbon Emissions Land Tax: delivering large-scale natural carbon capture", November, (2021)
- 13 G McCormick, "Annual Ground, Floor & Roof Rent: New Public Funding for an Enterprising Scotland", November, (2020)

- 14 H George, "Progress and Poverty", Ch 19, D Appleton and Co, (1880)
- 15 A Wightman, "The Poor Had No Lawyers", Birlinn Press, August, (2011)
- 16 BLG Business Advisors, "What is Land Tax? The Facts, Traps and Thresholds", September, (2022)
- 17 BLG Business Advisors, "NSW Land Tax – Does It Apply To You?", September, (2022)
- 18 Estonian Tax and Customs Board, "Land Tax",
- 19 R McAlpine, L Pearson and C Dalzell, "Development Councils: A Proposal for a New System of Local Democracy in Scotland", Common Weal Policy, October, (2018)
- 20 Strut and Parker, "Scottish Farmland Market Review: Spring 2023", February, (2023)
- 21 Strut and Parker, "Scottish Farmland Market Review: Spring 2023", February, (2023)
- 22 Scottish Land Commission, "Land Reform and Taxation: Advice to Scottish Ministers, January, (2022)
- 23 Strut and Parker, "Scottish Farmland Market Review: Spring 2023", February, (2023)
- 24 Strut and Parker, "Scottish Farmland Market Review: Spring 2023", February, (2023)
- 25 Scottish Government, "Scotland's Forestry Strategy 2019-2029", February, (2019)
- 26 D McPhillimy and C Blackburn, "A Mosaic of Life – A vision for reforming Scotland's uplands", Common Weal Policy, March, (2021)
- 27 Common Weal and Lateral North, "Back to Life: Visions of alternative futures for Scotland's grouse moors", Common Weal Policy, December, (2018)
- 28 R McAlpine, L Pearson and C Dalzell, "Development Councils: A proposal for a new system of local democracy in Scotland", Common Weal Policy, October, (2018)
- 29 Highland Council, "Our Future Highland – Budget Strategy", February, (2023)
- 30 Scottish Government, "Scottish Local Government Finance Statistics 2021-22, August, (2023)
- 31 M Villalba, "Proposed Land Ownership and Public Interest (Scotland) Bill", Proposed Member's Bill, June, (2023)
- 32 SPICe, "Scale and concentration of land ownership – the elephant in the room?", SPICe Spotlight, March, (2019)