

Tax Justice Focus: Tax Natural Rents

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Buskers on the London Underground understand rental value. Earnings from a pitch at a busy station near the city centre will be far higher than out in the suburbs. The higher earnings have nothing to do with the music: they reflect the rental value of the site. And rental value can be a significant source of public revenue.

The latest edition of Tax Justice Focus explores the issue of taxing natural rents from land. Economists define land, alongside labour and capital, as a factor of production. Unlike labour and capital, however, it is in fixed supply and has no cost of production. Being scarce, land is in great demand, but in many cases it is used inefficiently and its potential as a source of significant amounts of public revenue goes unrecognised. In this edition, guest editor Carol Wilcox and her selected contributors argue the case for adopting Land Value Tax as a just and efficient fiscal tool.

In the lead article Nic Tideman presents LVT as a tool for development. Poor countries have generally low land values so LVT is not commonly considered as a useful instrument for raising government revenues. Nic describes the mechanism whereby LVT can trigger a virtuous circle of increasing land values and revenues.

Henry Law discusses how LVT might be introduced. One of the main objections to LVT seems to be that it is impracticable, particularly that the valuation process is problematic. As can be seen below LVT has already been successfully implemented and land value assessment is becoming a simpler task with the development of improved software and other tools.

Molly Scott Cato then presents LVT as a green tax. Ever since value slipped its attachment to the natural world around when fractional reserve banking was invented in the 17th century?money has become increasingly important, and the planet and its resources less so. To find solutions to the financial crisis and the environmental crisis, she argues, we must get our feet back on the ground.

Finally, Joshua Vincent describes the LVT experience in Pennsylvania and presents some interesting data. The split-rate taxes levied in Pennsylvania are probably the best

documented applications of LVT in practice. In fact only a small portion of rent is collected in this way, which some say is insufficient to show the effects.

This edition also covers news of the recently issued Nairobi Declaration on Tax and Development, plus details of a forthcoming conference on the Political Economy of Taxation at Loughborough University, UK, in September 2010, a review of an IMF paper looking at the role of tax distortions and tax havens in the build-up of debt in financial systems around the world, and finally an invitation to support a documentary drama film.

You can download Tax Justice Focus volume 6, number 1 here:

<http://taxjustice.blogspot.com/2010/05/tax-justice-focus-taxing-natural-rents.html>