

FREQUENTLY ASKED QUESTIONS (FAQ)

What is AGR?

Answer: “Annual Ground Rent” (AGR) is an alternative means of raising revenue to replace current local or central government taxation that is required to pay for all public goods and services.

Unlike any other economic resource land is both universal and permanent (save only for cataclysmic acts of nature, produced most typically by sea, geological events, such as erosion or the changing course of rivers).

With these very rare exceptions every parcel or tract of land, large or small, in city or country – every site whether agricultural, timber, mineral or urban – has some potential annual rental value.

This potential rental value applies to the land or site itself alone, and does not apply to any building or development on the site (the development of a site, such as a building or new extension, is the product of labour or enterprise, which is quite separate from the underlying land or site that is given by nature).

This rental value of the land or site is created not by any individual owner but by aggregate demand (i.e., the fundamental need we all have to occupy land and use natural resources).

It is a public good provided both by nature and any further advantages created by the site’s location as a result of the product of the community and the labour and investment of many (e.g., and only as an example, in a city with all the facilities, services and infrastructure this implies).

At present the landowner makes little or no contribution to this public investment and AGR is an annual rental or levy designed to share this gain with the taxpayer.

Under “Annual Ground Rent” (AGR) this public rental value would be collected from the site owner or landowner, while exempting from taxation the value of all buildings and other produced assets owned or developed by the labour or investment of individuals or organisations.

Why are there different names for AGR?

Answer: Over the long history of this idea, which is long associated with the American thinker Henry George (1839-97), it has been known under a number of names, abbreviations and titles; Land Value Tax (LVT) or Land Value Rating (LVR) being only the most common.

Annual Ground Rent (AGR) accurately and simply describes what it is; a rent payable to the wider community for the resources, investment, services, infrastructure, activities and presence of the population that give value to the basic, undeveloped site; the ground, the specific area of land its core undeveloped value.

AGR is not a confiscation of private property which remains in the same hands, nor is it really a tax: because it is universal - every piece of land or site will pay a core rent, that will be established at a level according to its variable rental without valuing whatever stands on the site and is excluded from the rental charge, save only accounting for the highest undeveloped 'planning permission' the site possesses.

Taxes, on the other hand are arbitrarily set according to the changing political preferences of passing Governments, and operate as public confiscations of revenues that are created by labour, by investment or trade.

Some taxes are expensive to raise, difficult to administer and easy to avoid or even evade; how does AGR solve these problems?

Answer: AGR is cheaply and easily administered because mapping is computerised and individual sites do not have to be visited to assess values. Denmark has such a system and it requires fewer valuers (assessors) than a system based on house prices.

AGR is impossible to avoid or evade because land cannot be hidden or moved and values can be made available for public scrutiny. Failure to pay the AGR leaves the owner open to the risk of the property being taken over by someone else that is willing to pay.

Why should I support AGR?

Answer: The move to Annual Ground Rent will, for most households, be of immediate financial benefit. Most property owners own only the parcel of land beneath their residence. A large segment of the population owns no land at all. In time, the cost of acquiring land for residential homes and businesses

will begin to come down, creating a far more affordable economic environment than exists today.

Would Scotland be better off with AGR?

Answer: People who actually produce goods or provide needed services to others (whether through their labour or enterprise) are today overburdened with taxation. A shift to Annual Ground Rent (AGR) as a primary source of public revenue would relieve the productive sector of Scotland's economy of its heavy tax burden. Scotland's producers would be in a far better position to compete in the global economy, providing new employment opportunities for the people of Scotland. In due course AGR could be extended to replace other taxes on earnings and enterprise.

Why do you think taxes harm the economy?

Answer: The impact of taxes on the economy is best explained this way. The higher the taxes imposed on goods and services the less will be the supply of goods and services generated. When taxes are too burdensome on businesses, they pick up and move to where taxes are much lower. And, when businesses leave, people leave as well. Those left behind are often principally the elderly and the unskilled, who must now be supported by a social welfare system struggling to find the needed revenue. Annual Ground Rent solves this problem because neither production nor profits are subject to taxation. One is merely required to contribute to the community the annual rental value of any land owned.

Why do you think AGR encourages the economy?

Answer: When owners of land/sites are required to compensate the community for the privilege granted to them (i.e., to have exclusive use and ownership of part of the community land), they will develop the land to its highest, (most productive) use in order to generate sufficient revenue to cover the Annual Ground Rent charge, other living expenses, and whatever other desires they have.

Imagine the synergy created when every owner of property is rewarded for what they actually produce rather than being allowed to sit on vacant land for decades or generations while the remainder of the population must compete with one another for living space in a market that rewards those who continue to hoard land to make excessive profit, at nil cost, and without

contributing to the community activity on which the value of the site and the profits the landowners make, depend.

I run a business. Why will AGR be good for me?

Answer: Once AGR is fully implemented across the spectrum, if you own property (land, buildings and other fixed assets), the value of buildings value and other business equipment will no longer be subject to taxation. Your financial obligation to the community ends once you have satisfied your Annual Ground Rent payment.

I am an employee. Why will AGR be good for me?

Answer: Wages and benefits offered to people who work for others is based on supply and demand. What Annual Ground Rent (AGR) gradually achieves is a situation where there is always a greater demand for people than the number of people in the workforce. In short, AGR is key to the elusive full employment society.

Will farming benefit from AGR?

Answer: Yes. The benefit will depend on the extent, by which the existing harmful taxes, such as the Income Taxes and VAT are reduced, to be replaced by AGR. The removal of income taxes will greatly reduce the costs of employment and the time and money spent on bookkeeping. The reduction in the market price of farmland will benefit those young people wanting to make a start in farming but cannot afford the current price of land which is almost five times that which can be justified by current input costs, yields and product prices.

Only those who want to sell the land they own benefit from its high price but for the majority, who want to earn a living from farming, high land prices are no advantage. For young newcomers to farming, they are a serious barrier. The tax reductions we recommend will reduce the costs of production for all farmers, including those who rent the land they farm.

I cannot afford to buy a home. Why will AGR be good for me?

Answer: Affordability of a residential property is based on the relationship between several important factors: (a) household income; (b) household savings; (c) the price of the property (land cost plus building cost); and (d) the terms of available mortgage financing; (e) the land cost paid by the developer.

The adoption of the Annual Ground Rent (AGR) system will, over time bring down the land cost component of a residential property.

Some owners of land who have no intention of developing their site will put the land on the market in competition with others. Thus, developers will be able to acquire land at lower costs, enabling them to construct new and more affordable housing units.

I rent my home. Why will AGR be good for me?

Answer: As developers begin to acquire land at lower prices housing prices will fall, but it may take some time. As the supply of rental housing increases, the owners of these units will compete with one another for tenants, and this will tend to keep apartment rents affordable.

In the first instance AGR is payable by the landowner, not the tenant. Of course the landowner (landlord) will seek to pass on the cost to the tenant in a higher rent, but that adjustment will depend on local house rental market conditions.

I own my home. Why will AGR be good for me?

Answer: Even if the Annual Ground Rent (AGR) System is implemented over a period of years, you are likely to experience a lower annual bill, with the owners of upmarket properties in high-demand areas paying more. However, this depends on how much land you own and whether your property is located in a high-demand area or not. High-value land will pay a premium.

Most owners of residential property on small land parcels or in less expensive areas (the majority of the population) will experience a reduction on their annual public service payments under Annual Ground Rent.

I cannot find employment. How will AGR help?

Answer: Annual Ground Rent (AGR) does not produce overnight change, but it favours economic activity, labour, enterprise and investment over passive land ownership. As AGR progressively reduces the overall tax burden businesses will expand and begin to hire more people as more and more public revenue comes from AGR, and less and less from other sources.

Can AGR prevent the next recession?

Answer: The causes of economic downturns – of recessions or even depressions are complex. What a close study of economic history reveals, however, is that at the heart of every such downturn is a crash of the property markets. The depth and duration of the crash is directly related to the rise in land prices. In turn, these “land price bubbles” are driven by intense speculation, worsened by imprudent bank lending practices. The next recession is, sadly, already in the making.

The adoption of AGR may mitigate the harshness of the next recession but will not prevent it from happening. Nevertheless, only the full adoption of the AGR system will ensure that the principal cause of our inevitably recurring ‘boom-bust’ economy finally disappears.

My community wants to buy land. How will AGR help?

Answer: Over time, Annual Ground Rent will bring down the price of land, making it easier for communities to acquire land for parks, schools, public transit rights of way, and other public amenities.

Here is what happens in the current system. Every parcel or tract of land has some potential rental value. Even when the owner does not lease out land to others to collect this value, it is there. Market forces capitalise this real or imputed rental value into a potential selling price. AGR brings this value into the community treasury, leaving nothing to be capitalised. The result is that land prices will fall over time.

I live in the city. Why will AGR be good for me?

Answer: Every city has a central business district and residential neighbourhoods where the demand for land is great. At the moment, most of this value, which is generated by the activities of the whole community, public resources and many individuals, is retained by the owners of land. AGR changes this dynamic in favour of the productive segments of an urban economy. You will gradually have more employment choices, more housing choices, higher wages and better benefits. Why? Because investment in job-creation and economic activity will bring a higher return on capital invested and the cost of leasing or acquiring land will begin to fall.

Where did AGR come from?

Answer: For most of history, governments collected “ground rents” from those who were granted use of land. As land ownership became privatised and the political power of landed interests grew, less and less public revenue came from ground rents.

Yet, there have always been efforts by civic-minded leaders to return the source of public revenue to its original, and fairest, source.

Throughout history, and noticeably in 1707 and again at the beginning of the 20th century, Scotland has been in the forefront of these efforts, although they have always been deflected or defeated by well-entrenched vested interests that established a system that excluded land from taxation.

Passing the responsibility for raising public revenues almost exclusively to the active economy based on taxation of labour, enterprise and investment, rather than on the land based interests.

In recent years business and finance has been very effective at reducing their tax payments through aggressive tax avoidance, globalisation and the wide use of foreign, secretive tax havens, unlike labour and payers of PAYE and indirect taxes.

In the modern era, the arguments are found in the writings of many political economists and moral philosophers, including Adam Smith. During the late 19th century, Liberals in Britain (influenced by the American writer Henry George) began a serious campaign to re-introduce the full collection of ground rents. They almost succeeded early in the 20th century with what was called “The Peoples’ Budget” (1909) under Lloyd George’s leadership. Labour later added Annual Ground Rent to its platform.

The House of Lords and landed interests defeated the ambition of the Peoples’ Budget and with the intervention of two World Wars and other national crises, the Labour Party gradually moved away from the ambition.

The agitation to adopt Annual Ground Rent has been a long and arduous campaign to finally bring about a full implementation of a just system of property rights and public revenue.

The opportunity today in Scotland is that with Holyrood and the return of a Scottish Parliament, its time has come.

Why is it claimed AGR is not a tax?

Answer: The rental value of land is not produced by individuals, it is a function of nature and of complex interdependent communities and publicly resourced activities; it is, by definition, public revenue (much of which is now being privately retained).

What are 'deadweight losses'?

Answer: This term, used by economists, refers to the negative impact on the production of goods and delivery of services caused by the imposition of taxation.