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A Land Value Tax for Wales? Claims and contexts

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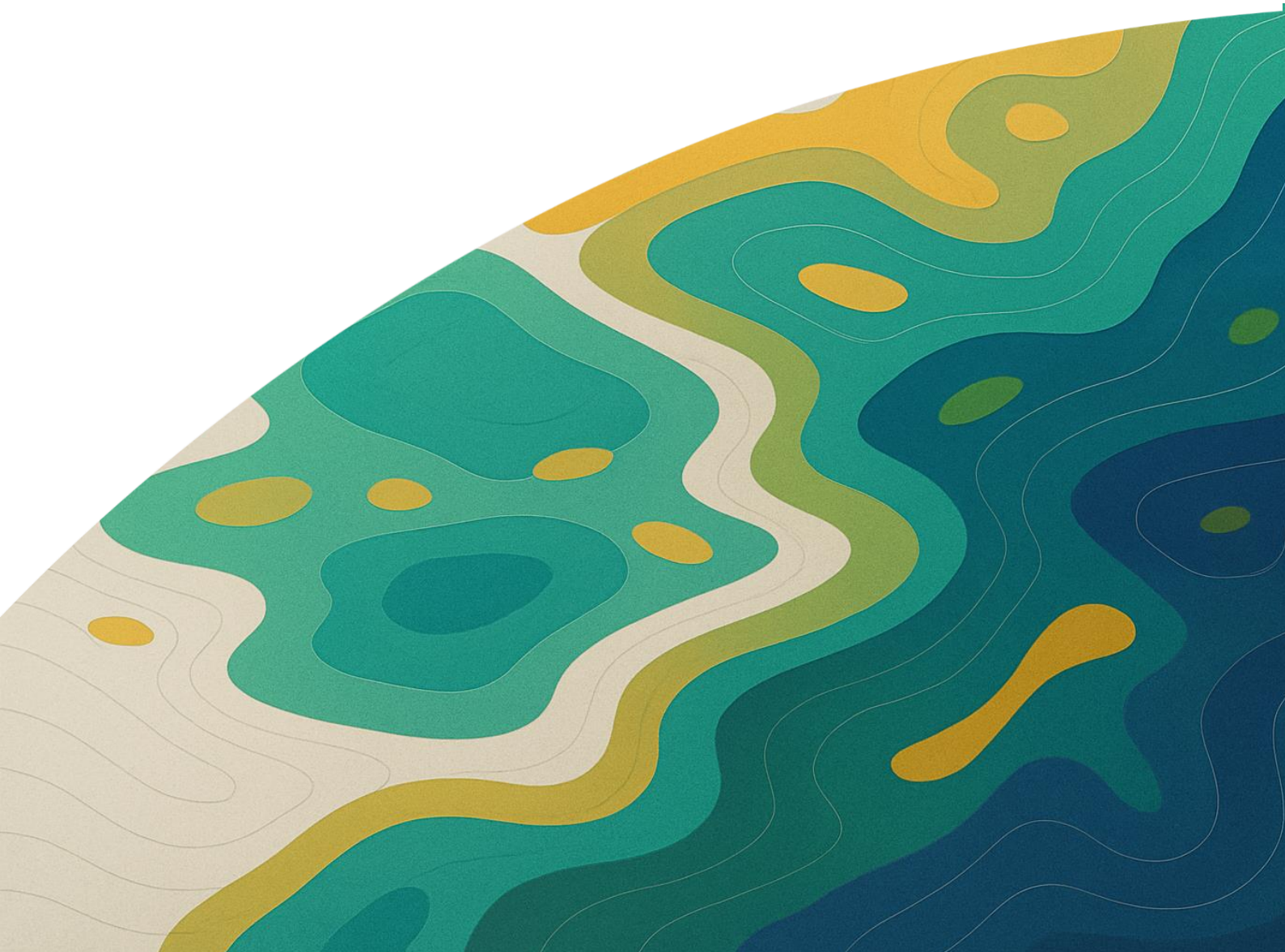

Abstract

Land Value Tax (LVT) is frequently proposed as a reform to property taxation on the grounds of economic efficiency and social equity. Unlike conventional property taxes – including Council Tax and Non-Domestic Rates in Wales – LVT is levied on the *unimproved value* of land. The underlying rationale is that land value largely arises from external social and economic factors rather than through individual effort. But although LVT has strong theoretical foundations, its practical implementation remains limited, especially in high-income countries, and there is limited empirical evidence on its real-world outcomes.

This working paper examines the key claims made in favour of LVT and assesses the extent to which they are supported by empirical evidence, with specific attention to their relevance for Wales. Drawing on a systematic review of international studies published since 1999, the paper evaluates claims that LVT improves economic efficiency and promotes equitable outcomes. The findings show that some outcomes, such as shifting tax burdens towards higher-value land or reinforcing development incentives in high-demand urban areas, are plausible under certain conditions. However, robust evidence of broader or transformative effects is limited. In practice, many of the claimed benefits of LVT are highly dependent on tax design, valuation, planning systems, and local market conditions.

The paper then considers how Welsh characteristics could influence the potential performance of an LVT. It concludes that an LVT for Wales should not be viewed as a standalone or transformative solution, but rather as a policy option with localised impacts and subject to trade-offs. Clear policy objectives, careful valuation design, and further Wales-specific analysis are essential before any reform is pursued.

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Executive Summary

Land Value Tax (LVT) is frequently proposed as a more efficient and equitable reform to conventional property taxation – including Council Tax and Non-Domestic Rates in Wales. Unlike these conventional property taxes, which are levied on buildings and improvements, LVT is charged on the *unimproved value* of land. The underlying rationale is that land value largely reflects external factors like location and amenities, public investment, and wider social and economic conditions rather than individual effort.

This working paper assesses **whether the common equity and efficiency claims made for LVT in theory are supported by evidence in practice** and considers the relevance of this evidence for Wales. The paper was written as part of a UKRI Policy Fellowship on Welsh local government finance reform. The focus is not on advocating for or against LVT, but on providing an **evidence-informed and context-sensitive assessment of what LVT might realistically deliver in Wales**, and under which conditions.

Approach and evidence base

The paper first sets out the theoretical and philosophical foundations of LVT, drawing on classical economics and later reformers to explain why land value has long been viewed as a suitable tax base. The evidence review draws on an **adapted systematic literature review of studies published between 1999 and 2024**. It focuses on **high and upper-middle income countries** and includes peer-reviewed literature and selected grey literature. Only studies presenting **empirical evidence on LVT** – meaning observed outcomes, evaluations of LVT implementation, and simulations calibrated to real-world data – were included in the review. Seventy studies met the inclusion criteria and were assessed using a weight of evidence framework that considered their methodological quality and relevance.

The review evaluated evidence against **seven commonly cited claims**, that LVT:

Efficiency claims

1. **Reduces distortionary effects** on investment.
2. **Promotes efficient land use**.
3. **Incentivises public investment**.

Equity claims

4. **Discourages land speculation**.
5. **Captures unearned gains**.
6. Is a more **progressive tax**.
7. **Reduces socio-economic inequality**.

Key findings from the evidence

The main finding from the review is that **many claims made for LVT are plausible in theory but not strongly supported by direct empirical evidence**. Where effects are observed, these are **typically localised and context-dependent**, as well as **sensitive to policy design**. Generally, where LVT implementations have been studied, outcomes vary and appear to **depend more on tax rates, valuation, planning systems, and market conditions** than on the tax base in land itself.

Efficiency claims are the most frequently cited in economically oriented literature on LVT, but the evidence base is limited. There is **little direct empirical evidence that LVT reduces distortionary effects on investment in practice**. Most studies rely on theoretical reasoning or modelling that already assumes LVT is non-distortionary, rather than observing behavioural change.

There is **stronger evidence that LVT can encourage development of under-used land in high-demand urban locations, where land values are high and development is already viable**. Effects are modest, and unlikely to hold in other contexts, such as weaker markets and areas with high planning or infrastructure constraints. The evidence does not support any expectation that LVT can generate development where underlying demand is low or absent.

Claims that LVT can incentivise public investment are the weakest empirically. While LVT can certainly contribute to local revenues, there is **no robust evidence that LVT leads governments to invest more or better**. Most observed relationships find that public investment raises surrounding land values, but not that this drives investment decisions.

Equity claims are also unevenly supported by evidence. The claim that LVT discourages land speculation is plausible but weakly demonstrated. Studies show that LVT raises the cost of holding vacant or under-used land, but there is **little direct evidence that speculative behaviour changes in response**. Effects are likely to depend on high tax rates, frequent revaluation, and strong enforcement, which are often politically and administratively difficult conditions to sustain.

There is some **support for the idea that LVT can shift tax burdens** towards higher-value areas, especially under revenue-neutral reforms. While this is formally more progressive, **evidence that this translates into meaningful outcomes for socio-economic inequalities is limited**. Most studies to date have measured changes in tax liability rather than broader welfare or distributional outcomes.

Implications for Wales

Applying these findings to Wales raises several important considerations.

- Wales has a **diverse and socio-economically uneven geography**, with a shallow urban hierarchy and large areas characterised by low population

density and extensive use of marginal agricultural land. The conditions under which LVT has shown **the most consistent effects** (high demand, urban density, and strong development pressure) **apply to a relatively small proportion of Welsh land and population**, most notably Cardiff and a small number of other urban centres.

- In many **rural and post-industrial areas of Wales**, land values are lower and development is constrained by market viability, infrastructure capacity, or heritage and environmental designations. In these contexts, an LVT would be expected to both **raise comparatively low revenue and exert minimal influence on land use or investment behaviour**. As this suggests, a national LVT reform would have highly uneven effects, both fiscally and spatially.
- The **relationship between land value and income** also varies across Wales. In areas where higher land values broadly align with higher incomes, and LVT is more likely to support progressive outcomes. In other areas, such as desirable rural and coastal areas where markets are amenity-driven, land values may be high relative to local earnings. In these contexts, there is a **risk of an LVT increasing liabilities for long-standing residents or place-bound businesses without corresponding increases in ability to pay**.
- From a tax system perspective, introducing an LVT in Wales would be a major reform. The evidence indicates that **valuation quality and revaluation frequency are crucial** for realising intended outcomes. Wales does not currently operate a valuation system designed to isolate unimproved land value at scale. Establishing an effective system would require **substantial investment in data infrastructure**, as well as **professional skills and administrative capacities**.
- **Integration with existing devolved taxes** – specifically Council Tax, Non-Domestic Rates, and Land Transaction Tax – would also be critical. Poor coordination could increase complexity for taxpayers, risk duplicating tax bases, and reduce policy coherence. **Decisions about revenue retention or redistribution** would further influence whether LVT mitigates or replicates existing spatial inequalities between local authorities.

Conclusions

The evidence reviewed in this paper does not rule out LVT as a potential component of future Welsh tax reform. However, it does place clear **limits on what can reasonably be expected of an LVT for Wales**. The theoretical case for LVT should not be mistaken for transformation in practice. A tax base in land is not a standalone solution to complex challenges in Wales, such as housing affordability, local regeneration, and spatial and socio-economic inequalities. Where an LVT contributes

to desirable outcomes, these are likely to be localised, conditional, and depend on both tax design choices and wider institutional systems.

For Wales, the key policy question is not whether LVT is theoretically attractive, but **whether the likely benefits in practice justify the costs, risks, and trade-offs involved in implementation**. Serious steps towards implementing an LVT for Wales would need to start with clear and realistic policy objectives and careful analysis of diverse Welsh contexts, including interaction with existing taxes and planning competencies. This should be complemented with technical work on valuation feasibility and data infrastructure needs.

1. Introduction

Taxes on immovable residential and commercial property are widely used internationally to raise revenue for local government. Increasingly, property taxes are also viewed as potential policy levers on local development since they can structure incentives (or disincentives) for investment for business, housing, and infrastructure. However, **the conventional approach to basing property tax liability on the value of *improvements* – typically buildings and fixed structures – has often been critiqued and reform mooted**. Some critiques have considered the efficiency of taxing improvements; others have focused on the equity of outcomes from the property tax system.

Among proposals for reform, Land Value Tax (LVT) has long been championed. Unlike conventional property taxes, LVT is levied on the *unimproved* value of land. The underlying logic – rooted in classical economic thought – is that **improvements represent individual labour and investment**, which should be encouraged, whereas **increases in land value primarily derive from external factors** (like public infrastructure and local development), which are 'unearned' and should therefore be taxable. Many proponents also view the ability to own valuable land or large holdings as signifying wealth, arguing that a fair tax should fall on such broad shoulders.

Despite keen advocacy and strong theoretical support for LVT, **implementation remains limited in practice** – particularly in high-income countries. Consequently, robust evaluations of real-world outcomes are sparse, and commonly cited case studies are often outdated or of limited comparability. Moreover, much of the existing empirical literature is urban focussed, leaving key gaps in understanding implications for diverse geographies. From a place-based policy perspective, there is a clear need to **move beyond advocating for LVT as theoretically persuasive**, and towards a more context-sensitive assessment of whether LVT can realistically deliver positive outcomes in practice.

Recent interest in LVT in Wales arises from a programme of Welsh Government work on **local government finance reform**, initiated in 2017.[1] This programme responded to concerns about the fairness and resilience of Council Tax and Non-Domestic Rates (NDR), particularly given outdated valuation bases, uneven spatial impacts, and increasing pressure on local authority finances. The Welsh Government first focused on short-term improvements within existing systems, while committing to explore more

[1] Welsh Government (2017). Reforming local government finance: 2017 update. https://www.gov.wales/reforming-local-government-finance-annual-updates.

fundamental reforms over a longer-term, where such alternatives could be shown to be "demonstrably better … not just different".[2] In 2019, a technical assessment commissioned from Bangor University demonstrated that an LVT in Wales could **in principle raise comparable revenues** to Council Tax and NDR and have more progressive distributive effects, but highlighted **substantial barriers to implementation**.[3] A 2021 synthesis of lessons learned from the Welsh Government's wider reform programme concluded that, while LVT remained a credible long-term option, further work was required on **data infrastructure, governance, and delivery pathways** before policy decisions could be taken.[4]

This working paper was prepared as part of a UKRI Policy Fellowship on Welsh local government finance reform. It aims to build upon previous Welsh Government research and firm the **foundations for an evidence-based and context-sensitive approach to LVT in Wales** by exploring the empirical evidence for the key claims made in favour of LVT and considering how these findings apply to Wales. The paper begins with an outline of the theoretical and philosophical foundations of contemporary thought on LVT. It then describes the key claims made on efficiency, equity, and administrative grounds. The core of the paper evaluates these claims against the available empirical evidence, drawing on a systematic review of international studies. An extended discussion then considers how Welsh economic, spatial, and institutional characteristics could influence the likely performance of an LVT in practice. The final section draws out implications for future policy design.

[2] Welsh Government (2019). Reforming local government finance: 2019 update. https://www.gov.wales/reforming-local-government-finance-annual-updates.
[3] Ap Gwilym et al. (2019). A technical assessment of the potential for a local Land Value Tax in Wales. https://www.gov.wales/local-land-value-tax-technical-assessment.
[4] Welsh Government (2021). Reforming local government finance in Wales: Summary of findings. https://www.gov.wales/reforming-local-government-finance-wales-summary-findings.

2. Theoretical foundations

The idea of taxing land value has deep theoretical foundations that are useful to understand. Since the classical economists of the late eighteenth century, a **recurring theoretical principle is that land value primarily arises from external factors rather than individual effort**. This observation has formed the basis for a sustained normative critique of the economic rent of land. The distinction between 'earned' and 'unearned' income has remained a central concern, shaping the views of classical economists, liberal reformers, and more radical critics alike. This section provides a short, simplified, and necessarily selective summary of the foundational ideas behind LVT.

2.1. Classical economic origins

While Adam Smith (1723-1790) did not advocate for LVT as it would be understood today, his analysis in *The Wealth of Nations* (1776) established core features of the economic logic that has later come to support LVT. Smith observed that land – unlike labour or capital – is in fixed supply and cannot easily be concealed. For him, this observation suggested that land could be a **distinctly effective and enforceable basis for tax**.

Reflecting the conditions of his time, Smith further distinguished between landowners, who received income from owning land, and the tenant farmers who laboured to make land productive. He argued that, were the rents landowners received to be taxed:

> "[N]o discouragement will thereby be given to any sort of industry. The annual produce of the land and labour of the society… might be the same after such a tax as before. Ground-rents, and the ordinary rent of land, are therefore, perhaps, the species of revenue which can best bear to have a peculiar tax imposed upon them."[5]

The differentiation between income *passively* received from owning land and the value *actively* generated by labour or capital investment became foundational to later justifications for LVT.

David Ricardo (1772-1823) built on Smith's insights to develop a fuller theory of economic rent. In his *On the Principles of Political Economy and Taxation* (1817), Ricardo introduced the concept of 'differential rent'. Since land varies in quality and

[5] Smith, A. (1776). An inquiry into the nature and causes of the wealth of nations. http://name.umdl.umich.edu/004861571.0001.002.

location, he reasoned that the higher rents some landlords could charge their farmer tenants represented the **relative advantage of better land**. Consequently, as population growth and rising demand for food pushed agricultural production onto more marginal land, Ricardo predicted that the owners of better land would reap rising rental gains. Like Smith, he believed that a tax on rent from land would fall solely on the landlord and not affect the price or volume of agricultural output.[6] Significantly for later thinkers, his reasoning showed that landowners accrued rising land values not because of their effort, but due to **social and economic dynamics often external to the land itself**. Ricardo's ideas would hence echo in a broader critique of landownership as a source of unearned advantage.

2.2. Moral challenges to landownership

Philosophical arguments about land ownership predated classical economics. For example, John Locke's (1632-1704) labour theory of property held that legitimate claims to land arise from productive use rather than possession alone.[7] As Britain industrialised, changing class politics increasingly influenced perspectives on landownership. The old landowning aristocracy's interests were challenged by new manufacturing entrepreneurs and urbanising workers,[8] making the **contrast between land rent and incomes from labour and enterprise** starker.

While the earlier economic logic had ultimately viewed land rent as inefficient and detrimental to progress, a growing moral objection critiqued landowners on the grounds that they were not rewarded for work or risk – but for **controlling a scarce and socially necessary resource**.[9] John Stuart Mill (1806-1873) exemplified this critique. In his view:

> "It is not the fortunes which are earned, but those which are unearned, that it is for the public good to place under limitation."[10]

Mill marked an important evolution from Ricardian thinking by recognising that land was not solely an agricultural resource but had multiple productive uses.[11] Since industry and urbanisation were rapidly demonstrating this, Mill considered that landowners' ability to gain from the rising rents driven by demand made them **passive beneficiaries of societal change**. In *Principles of Political Economy* (1848), he argued that the state should appropriate such increases in wealth, and that this would not violate the principles of private property ownership. The rationale that unearned

[6] Blaug, M. (2000). Henry George: Rebel with a cause. https://doi.org/10.1080/096725600361816
[7] Day, J. P. (1966). Locke on property. https://doi.org/10.2307/2218464
[8] Buchanan, D. H. (1929). The historical approach to rent and price theory. https://doi.org/10.2307/2548199
[9] Stratford, B. (2023). Rival definitions of economic rent: Historical origins and normative implications. https://doi.org/10.1080/13563467.2022.2109612
[10] Mill, J.S. (1885). Principles of Political Economy. https://www.gutenberg.org/ebooks/30107
[11] Buchanan, D. H. (1929). The historical approach to rent and price theory. https://doi.org/10.2307/2548199

gains should be publicly captured remains a cornerstone of many arguments for LVT today.

2.3. Radical reformers

By the mid-nineteenth century, the notion that rent from land was distinct from profit or wages was firmly established.[12] As **rental income became delegitimised**, calls for state-led reform increased. Mill had proposed reform within a classical liberal framework, from which private property rights remained the basis of liberty and economic order. Across the Atlantic, Henry George (1839-1897) offered a more radical critique of private landownership.

George's thinking was shaped by recalling the 'boom and bust' dynamics of the Californian gold rush, and later by observing how new railway construction raised local land prices and made private fortunes for a few.[13] From his perspective, economic progress appeared to bring rising poverty for many. He sought to explain this in *Progress and Poverty* (1879), arguing that rising rents absorbed the gains of economic growth by diverting income from labour and enterprise to landowners. George particularly saw **land speculators as emblematic of the unjust capture of collectively created value** for private gain. He believed that:

> "[T]he influence of speculation in land … is the force, evolved by material progress, which tends constantly to increase rent in a greater ratio than progress increases production"[14]

George's proposed solution was the effective confiscation of land rent through a 100% tax on land value. By his calculation, such a tax would yield sufficient revenue to replace *all* other taxes. The idea of a 'Single Tax' became a political rallying point for George's many followers.[15] 'Georgists', as they became known, argued that **capturing the unearned value of land** would work to eliminate poverty and fully fund public services.[16] Such idealism has since faded, but the potential for progressive redistribution remains a major argument for LVT.

2.4. After idealism

Although the Single Tax movement George inspired gained an international following, practical questions were soon raised about whether taxing land value alone could

[12] Blaug, M. (2000). Henry George: Rebel with a cause. https://doi.org/10.1080/096725600361816
[13] England, R. W. (2010). Ricardo, gold, and rails: Discovering the origins of Progress and Poverty. https://doi.org/10.1111/j.1536-7150.2010.00744.x
[14] George, H. (1898). Progress and Poverty, Volumes I and II. https://www.gutenberg.org/ebooks/55308.
[15] Blaug, M. (2000). Henry George: Rebel with a cause. https://doi.org/10.1080/096725600361816
[16] Candeloro, D. (1979). The single tax movement and progressivism, 1880-1920. https://doi.org/10.1111/J.1536-7150.1979.TB02869.X

really deliver adequate public revenue.[17] Following the First World War, Single Tax idealism gave way to a more **pragmatic reckoning with the revenue needs of a modern state**.[18] The Austrian-born economist Joseph Schumpeter would later write that George's tax proposal:

> "[T]hough vitiated by association with the untenable theory that the phenomenon of poverty is entirely due to the absorption of all surpluses by the rent of land, is not economically unsound, except in that it involves an unwarranted optimism concerning the yield of such a tax."[19]

Around the turn of the twentieth century, several jurisdictions indeed experimented with **forms of LVT alongside other taxes**. Some of these, including most Australian states, still have a distinct tax on unimproved land value. Others, including New Zealand, have since abolished the tax.[20]

In the UK, then-Chancellor David Lloyd George's attempt to introduce a form of LVT emerged through the 1909 "People's Budget". Lloyd George had begun his political life attacking landlord power,[21] and the budget sought to **fund expanding social reforms** (notably pensions) through, amongst other measures, a series of taxes on land value that were expected to produce an estimated £500,000 annual revenue[22] (approximately £76 million in today's terms). The budget encountered fierce opposition and its veto by the House of Lords triggered a constitutional crisis.

Although the budget passed following the 1910 election, implementation of the land taxes proved administratively and politically fraught. The **national land valuation exercise required was complex and costly**, particularly at a time of manual records and on-foot surveying. The Valuation Office was established in 1910 and given the significant task of administering a full land survey of England and Wales, which became known as the "Lloyd George Domesday".[23] By 1914, valuation had cost £2 million to implement and the Valuation Office estimated the work would need three further years at least.[24] The valuation was frozen following the outbreak of the First World War, and the taxes were repealed in 1922.[25]

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[17] Dunne, T. (2005). Land value taxation: Persuasive theory but practically difficult. https://doi.org/10.21427/345w-tx82
[18] Blaug, M. (2000). Henry George: Rebel with a cause. https://doi.org/10.1080/096725600361816
[19] Schumpeter, J.A. History of Economic Analysis.
[20] Hobbs, D. (2021). The use of Land Value Taxation in New Zealand. https://doi.org/10.26686/wgtn.17147717.
[21] Gilbert, B. B. (1976). David Lloyd George: Land, The Budget, and Social Reform. https://doi.org/10.2307/1852870
[22] Murray, B.K. (1973). The politics of the "People's Budget". https://www.jstor.org/stable/2638204
[23] National Archives (n.d.) Land use, value and ownership: Valuation Office Survey 1910-1915. https://www.nationalarchives.gov.uk/help-with-your-research/research-guides/valuation-office-survey-land-value-ownership-1910-1915/.
[24] Watling, S. (2025). The failure of the land value tax. https://worksinprogress.co/issue/the-failure-of-the-land-value-tax/.
[25] Ibid.

Today, LVT is generally understood as a **distinct tax mechanism available within a broader tax system**, and especially suitable as a form of local property tax. The economic and philosophical lineage outlined here nevertheless continues to echo in contemporary arguments for LVT. Notably, for example:

- Smith's idea that taxing land does not discourage industry or reduce productive activity resonates in contemporary efficiency-based emphasis on LVT as a **non-distortionary** tax base.
- The Ricardian concept of differential rent and the logic that 'better' land yields passive gains for landowners underpin today's focus on **location value**.
- Mill's description of increases in land value arising from collective progress rather than individual effort as **unearned increment** remains a central tenet in arguments for capturing increases in land value for public benefit.
- The Georgist critique of private appropriation of community-created value persists in arguments for **redistributive justice**, and particularly in discussions of speculative gains.

These enduring ideas about **economic efficiency and social equity** continue to frame the contemporary rationale for LVT, to which the next section turns.

3. Key claims for LVT

Contemporary advocacy for LVT continues to draw on the foundational ideas outlined in the previous section. Over time, efforts to conceptualise the relationships between land, rent, and value have evolved into more policy-oriented claims for the outcomes LVT could deliver. In general, these claims can be divided into:

- **Efficiency** arguments, which draw from economic theory to envisage LVT's performance as a fiscal mechanism.
- **Equity** arguments, which take up concerns with fairness and redistribution.
- **Administrative** arguments, which are interested in the smooth functioning of the tax system.

This section outlines the principal claims made for LVT along each of these lines. Of course, claims often overlap and few argue for LVT from a single standpoint. However, distinguishing between key claims is useful for understanding *why* different advocates see LVT as desirable and *how* expectations about outcomes are shaped. Each claim further carries implications for how LVT might be designed and for the trade-offs that may arise.

3.1. Efficiency

Efficiency broadly refers to how well an economy allocates resources to maximise social welfare. Contemporary efficiency-based claims for LVT are often grounded in public finance theory, which examines how governments raise and spend revenue and how taxation affects economic choices. From this standpoint, land is a finite resource and **LVT is a mechanism that can influence how land is allocated, to whom, and for which purposes**.

Three key efficiency claims are commonly made. That LVT:

1. Reduces distortionary effects on investment.
2. Promotes efficient land use.
3. Incentivises public investment.

The claim that LVT **reduces distortionary effects on investment**[26] dates to Adam Smith's expectation that taxing passively gained land value would not penalise work or

[26] E.g. Adam, S. et al. (2011). Tax by Design. https://ifs.org.uk/books/tax-design.

enterprise. Today, the logic continues to rest on the observation that taxes on labour and capital influence economic behaviour. *Distortion* arises when these influences lead to inefficient outcomes. For example, conventional property taxes on improvements may distort individuals' and firms' decisions to invest in their property. Because the theory holds that changes in land value are primarily driven by external factors – like demand for local amenities – then taxing land instead of improvements is expected to have less distorting influence on investment choices.

The claim that LVT **promotes efficient land use**[27] follows a similar logic. Taxing the value of land relative to location is expected to incentivise owners to develop under-utilised or vacant land in areas where demand – and hence value – is high. Whilst those using such land productively should be able to meet their tax obligations from rent or profits, those leaving valuable land undeveloped would theoretically be penalised. This claim is often advanced alongside urban planning goals, such as for densification, brownfield regeneration, or increased housing supply.

The claim that LVT **incentivises public investment**[28] shifts focus to the choices made by local authorities and development agencies. Since developing public infrastructure and amenities (such as schools and transport systems) can increase surrounding land values, LVT is expected to offer a mechanism for recouping development costs. Ideally, this would create a fiscal virtuous circle, whereby rising land values generate more tax revenue, which encourages further investment. This claim is associated with land value capture more broadly, including non-tax mechanisms for recouping uplift, and often appears in relation to financing public transport.

3.2. Equity

Equity concerns the fair distribution of resources, opportunities, and outcomes across people, places, and groups. Equity-based claims for LVT centre on the **relative fairness of tax burdens and their distributive consequences**. Reflecting foundational critiques of land rent, equity claims often draw upon the understanding that increases in land value not due to labour or improvements are essentially unearned.

Four key equity claims are commonly made. That LVT:

1. Discourages land speculation.
2. Captures unearned gains.
3. Functions as a progressive tax.
4. Reduces socio-economic inequality.

[27] E.g. Wuensch, J., F. Kelly & T. Hamilton (2000). Land vale taxation views, concepts and methods: A primer. https://www.lincolninst.edu/publications/working-papers/land-value-taxation-views-concepts-methods/.
[28] E.g. Ap Gwilym et al. (2019). A technical assessment of the potential for a local Land Value Tax in Wales. https://www.gov.wales/local-land-value-tax-technical-assessment.

The claim that LVT **discourages land speculation**[29] draws from the moral critique of unproductive rent-seeking. Speculators hold land from development in anticipation of future (unearned) gains, restricting supply while raising costs for others. Like the efficient land use claim above, this claim expects LVT to impose a cost on holding land that would alter the incentives for speculators to leave land undeveloped. This claim is often made in urban contexts where artificially inflated land and property prices have high social costs.

The related claim that LVT **captures unearned gains**[30] in land values is again rooted in the moral distinction between earned and unearned income. This claim draws on the observation that, since increases in land value are driven by external factors, landowners can profit passively from the value created by societal action. The normative argument is that it is unjust for public benefits to be extracted for private gain. LVT is hence expected to return at least a portion of those gains for public redistribution.

The claim that LVT **functions as a progressive tax**[31] hinges on the assumption that land is disproportionately owned by wealthier individuals, corporate landlords, and institutional investors. These 'broader shoulders' are considered better able to bear tax burdens than the working households and small businesses made liable by conventional taxes on residential property and commercial premises. One variant of this claim views LVT as a form of wealth tax.

The claim that LVT **reduces socio-economic inequality**[32] follows the same assumption about land ownership but moves from altering the structure of tax burdens to redistributing revenue. This claim typically highlights the redistributive potential of using LVT revenue to fund public services.

3.3. Administration

Administrative claims for LVT focus on the operational functioning of the tax system. They are generally less prominent in political and academic advocacy for LVT, but merit mention. Three key administrative claims are commonly made. That LVT:

1. Provides a stable source of revenue.
2. Reduces opportunities for tax avoidance.
3. Simplifies the tax system.

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[29] E.g. Hughes, C. et al. (2020). Implementing a land value tax: Considerations on moving from theory to practice. https://doi.org/10.1016/j.landusepol.2020.104494.
[30] E.g. Dunne, T. (2005). Land value taxation: Persuasive theory but practically difficult. https://doi.org/10.21427/345w-tx82.
[31] E.g. Hughes, C. et al. (2020). Implementing a land value tax: Considerations on moving from theory to practice. https://doi.org/10.1016/j.landusepol.2020.104494.
[32] E.g. D. Maxwell & A. Vigor, eds. (2005). Time for a Land Value Tax? https://www.ippr.org/articles/time-for-land-value-tax.

The claim that LVT **provides a stable source of revenue**[33] draws from the observation that land is in fixed supply. Land is a known quantity for government and local authorities, making revenue more predictable. Moreover, land values are assumed to fluctuate less than other tax bases, like income and consumption, offering further stability. This claim is not unique to LVT, as conventional property taxes on improvements are also viewed as comparatively stable revenue sources.

The claim that LVT **reduces opportunities for tax avoidance**[34] is similarly based on the observation that land cannot be hidden or relocated. Because land cannot be disguised or moved to a different jurisdiction, a tax on land is harder to evade or avoid. This claim assumes a functioning, accurate land registry (recording plot-level boundaries and ownership), particularly where landowners are not resident. Like the first administrative claim, this reflects arguments for the suitability of immovable property taxes more broadly for local government finance.

The claim that LVT **simplifies the tax system**[35] originates with the Single Tax movement. Rather than a wholesale replacement of the tax system, this claim today is now associated with simplifying existing property taxes. In most high-income jurisdictions, different tax treatments apply to residential, commercial, agricultural, and vacant land, often with variable rates, reliefs, and exemptions. Because *unimproved* land value is in principle not tied to land use, replacing multiple taxes with a single LVT is expected to provide a more uniform approach that could reduce administrative complexity and improve transparency.

Having noted these administrative claims, the remainder of this report will focus on the equity and efficiency claims.

[33] E.g. Bird, R.M. & E. Slack (2004). Introduction and overview. International Handbook of Land and Property Taxation.
[34] E.g. Dunne, T. (2005). Land value taxation: Persuasive theory but practically difficult. https://doi.org/10.21427/345w-tx82.
[35] E.g. Ap Gwilym et al. (2019). A technical assessment of the potential for a local Land Value Tax in Wales. https://www.gov.wales/local-land-value-tax-technical-assessment.

4. What is the evidence base?

The previous section outlined the three key claims that are made for LVT on an efficiency basis, and the four key claims made on equity grounds. (The administrative claims will not be examined further.) To reiterate, these claims are not exhaustive. Moreover, some claims overlap and some imply trade-offs with others. However, disentangling the major claims and exploring them in turn is a useful way of engaging with the evidence. For each of the seven key claims, this section outlines **what is currently known from the empirical evidence base**.

4.1. Evidence review methodology

This section draws upon an adapted systematic literature review. The review identified **research on LVT in high and upper-middle income country[36] contexts published in English between 1999 and 2024**. Searches were conducted using the scholarly databases Scopus (for peer reviewed literature) and OpenAlex and supplemented by the Policy Commons database to capture relevant grey literature. Search keywords were selected to identify publications specifically referring to LVT or to close synonyms including “site value tax” and “split-rate tax”.

The primary goal of the review was to move beyond the theoretical case for LVT and investigate the extent to which evidence demonstrates the key claims occurring in practice. This meant that the review focussed on identifying empirical studies: **research presenting original data or analysis of LVT implementation in real-world contexts**. Purely theoretical or model-based studies without actual data inputs were excluded, as were historical studies and general commentaries. Simulation studies were included, if they were calibrated to data for specific places, regions, or countries.

Search results were manually screened by title and abstract against the inclusion and exclusion criteria outlined in the table below. **Seventy studies met criteria** and were downloaded for full-text analysis. For each of these studies, information was extracted on the policy or spatial context, type of intervention, research methods, and reported outcomes, as well as the relevance of the study to each of the seven key claims.

[36] World Bank (2026). World Bank Country and Lending Groups. https://datahelpdesk.worldbank.org/knowledgebase/articles/906519-world-bank-country-and-lending-groups. (Note that the 2025 list was used during the research).

Table 1: Inclusion and exclusion criteria for manual screening.

Inclusion criteria	Exclusion criteria
• Published since 1999. • In English. • Directly addresses (forms of) LVT • Concerns high and/or upper-middle income country context/s. • Includes empirical data from original research (using primary or secondary sources).	• Publication prior to 1999 • Not in English • Does not directly address (forms of) LVT • Concerns low-income country contexts. • Historical and/or theoretical studies. • Uncalibrated models. • Commentaries and editorials. • Full text unavailable.

Following extraction, each study was then appraised using a Weight of Evidence[37] framework to consider:

- The methodological quality of the study,
- The appropriateness of the research design for the review,
- The topical relevance of the study findings.

Studies receiving higher overall scores were **weighted more strongly in the analysis** compared to those receiving lower overall scores. This assessment enabled a balance of evidence across diverse research approaches and contexts, while keeping the focus on relevant empirical demonstrations of the key claims. The review hence offers an evidence base for assessing the key claims in practice.

Table 2 below summarises the number of studies that were deemed relevant to each claim, alongside how many of these received low, medium, and high scores in the weight of evidence assessment.

Table 2: Studies relevant to each claim, by weight of evidence assessment

Claim	Low	Medium	High	Total
Reduces distortionary effects on investment	8	11	8	**31**
Promotes efficient land use	8	10	15	**33**
Incentivises public investment	3	3	1	**7**
Discourages land speculation	5	6	8	**19**
Captures unearned gains	6	8	7	**21**
More progressive	8	14	12	**34**
Reduces socio-economic inequalities	4	10	11	**25**

[37] Gough, D. (2007). Weight of Evidence: A framework for the appraisal of the quality and relevance of evidence. https://doi.org/10.1080/02671520701296189.

(Note in the table that the number of studies against each claim reflect an assessment of their topical relevance to the claim, rather than whether the study expressly *demonstrates* the claim. The same study could be relevant to multiple claims.)

4.1.1. Limitations

The search process **only identified studies explicitly referring to LVT** or close synonyms. This means that the review may not capture relevant evidence from related mechanisms, such as land value capture more generally, or that could nonetheless inform LVT policy design. The restriction to English language sources also likely excluded relevant studies, particularly from jurisdictions such as Denmark and Estonia where LVT has been implemented.

In addition, the studies identified were uneven across contexts and study types. Much of the evidence focused on urban areas or modelled scenarios, with fewer studies considering rural areas or smaller centres. Because LVT has not been widely implemented, few robust evaluations are available. As a result, the evidence base surfaced by the review should be interpreted as **indicative rather than definitive**.

4.2. Evidence for efficiency claims

4.2.1. Does LVT reduce distortionary effects on investment?

The review identified 25 studies discussing LVT's non-distortionary potential, but few provided empirical evidence, with limited empirical observation of behaviour change. Most studies rely on theoretical reasoning from public finance or model-based inference rather than observed effects in practice.

Evaluation of the Australian Capital Territory's reforms to pre-existing stamp duty and LVT estimated a small efficiency gain (around 0.3% of Gross State Product), leading to modest increases in household consumption, investment, employment, and housing allocation.[38] A study of similar reforms in the state of Victoria found a short-term increase in construction values by around 20%, although the evidence was based on a small sample.[39] It is important to note that these studies follow reforms to existing LVT, rather than its introduction. By contrast, a synthetic control study in Ecuador found that the introduction of a 75% capital gains tax on land value reduced GVA in the construction sector by an average of 7.1% annually.[40] These differing findings suggest

[38] Smith, W. & J. Hermans (2020). The second interval: Evaluating the ACT's 20 year Land Value Taxation transition after 8 years. https://www.prosper.org.au/2020/10/the-second-interval-the-evaluation-in-brief/.
[39] Murray, C. K., & Hermans, J. (2021). Land value is a progressive and efficient property tax base: Evidence from Victoria. https://search.informit.org/doi/abs/10.3316/informit.272682180609940
[40] Acosta-González, N., Rodríguez-Raza, S., & Bastidas-Ripalda, R. (2021). The effect of increasing land value capture on the gross value added of the construction sector. https://doi.org/10.1080/13504851.2020.1733467

that the **design and rate of an LVT may be more consequential than a tax base in land alone**.

Beyond these practical examples, **most evidence derives from modelling**. Simulation studies often predict improved efficiency or increased investment following a change to LVT.[41] Yet, as these models often embed the assumption that land taxes are non-distortionary, their results may confirm rather than test the theory.

Qualitative studies offer a **more cautious view**. Planners and developers interviewed in Canada[42] and Wales[43] argued that investment behaviour depends more on planning and market factors than taxation, and some warned that a poorly designed LVT could introduce new distortions. Research on land valuation accuracy reinforces this scepticism, suggesting that inaccuracies and inequities in assessment would likely undermine theoretical efficiency gains in practice.[44]

Overall, direct empirical evidence that LVT reduces distortionary effects on investment is weak. Most **findings remain theoretical or inferential rather than demonstrated through observed behaviour**. Where evidence from reforms exists, outcomes appear context dependent. In practice, distortion is best understood not as an "on/off" effect but as a spectrum shaped by planning systems and market behaviour as well as tax design and assessment quality.

4.2.2. Does LVT promote efficient land use?

The review identified 33 relevant studies, often drawing on parcel-level or neighbourhood-scale data and using simulation techniques. Most evidence continues to come from modelling rather than observed behaviour, limiting the certainty with which land use effects can be claimed. It is also largely urban in focus.

Simulation studies consistently suggest that taxing land value more heavily than improvements raises the cost of holding vacant or under-used sites. Studies argue that owners of high value or centrally located parcels would face notably higher tax liabilities under LVT, potentially incentivising development.[45] However, these findings **indicate**

[41] England, R. W. (2003). State and local impacts of a revenue-neutral shift from a uniform property to a land value tax: Results of a simulation study. https://doi.org/10.2307/3147103. Choi, K.-W., & Sjoquist, D. L. (2015). Economic and spatial effects of land value taxation in an urban area: An urban computable general equilibrium approach. https://doi.org/10.3368/le.91.3.536. Cho, S.-H., Lambert, D. M., & Roberts, R. K. (2010). Forecasting open space with a two-rate property tax. https://doi.org/10.3368/le.86.2.263. Zhu, G., & Dale-Johnson, D. (2020). Transition to the property tax in China: A dynamic general equilibrium analysis. https://doi.org/10.1016/j.jue.2019.103214. Nassios, J., Giesecke, J. A., Dixon, P. B., & Rimmer, M. T. (2019). Modelling the allocative efficiency of landowner taxation. https://doi.org/10.1016/j.econmod.2018.12.007.
[42] Barbu, D. (2013). Studies and researches regarding the urban policies impact on land valuation. https://doi.org/10.13128/Aestimum-13131.
[43] Morgan, J., & Shahab, S. (2023). Impact of land value tax on the equity of planning outcomes. https://doi.org/10.3390/land12061152.
[44] Cohen, J. P., & Fedele, M. J. (2017). Where in Connecticut is the best location for a split tax? An analysis of land assessment equity in several cities. https://doi.org/10.3390/buildings7040108.
[45] Vincent, J. (2012). Neighborhood revitalization and new life: A land value taxation approach. https://doi.org/10.1111/j.1536-7150.2012.00849.x. Cohen, J. P., & Fedele, M. J. (2017). Connecticut's land value

plausibility rather than provide proof of behaviour change. Real-world studies are rarer and show more variable outcomes. For example, LVT reforms in the Australian state of Victoria were associated with a 20% increase in new residential construction.[46] By contrast, in Taipei city more than 80% of publicly auctioned development parcels remained idle despite LVT.[47] Similarly, in São Paulo, Brazil, inconsistent enforcement of a progressive vacant land tax limited its effect.[48] These findings imply that **low effective rates or poor policy coordination can blunt intended effects**.

A recurring lesson across case studies is that **tax alone rarely shifts land use behaviour**. Where planning systems, infrastructure, and enforcement mechanisms are already strong, such as in the Australian Capital Territory,[49] LVT exerts limited additional leverage. Elsewhere, administrative challenges or fragmented governance can undercut potential efficiency gains. Expert interviews from Canada[50] and Wales[51] highlight that, at politically feasible rates, LVT may be too weak to change landowner behaviour, particularly where development depends on planning approval, finance, and market demand.

Evidence for LVT as a **tool for compact, denser urban development** is somewhat stronger but still primarily modelled. Simulations predict that taxing land more heavily than buildings shifts development towards urban cores and increases density.[52] Descriptive evidence from Tallinn, Estonia, suggests that LVT introduction coincided with increased inner-city construction and higher capital-to-land ratios, though suburban sprawl continued.[53] Conversely, one parcel-level study in the US found that

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taxation public act: Who would bear the burden? https://doi.org/10.1080/10835547.2017.12091463. Haveman, M. (2004). Evaluating the feasibility and burden-shifting effects of a statewide land value tax on commercial and industrial property. https://www.lincolninst.edu/publications/working-papers/evaluating-feasibility-burden-shifting-impacts-state-land-value-tax/. Nassios, J., Giesecke, J. A., Dixon, P. B., & Rimmer, M. T. (2019). Modelling the allocative efficiency of landowner taxation. https://doi.org/10.1016/j.econmod.2018.12.007.

[46] Murray, C. K., & Hermans, J. (2021). Land value is a progressive and efficient property tax base: Evidence from Victoria. https://search.informit.org/doi/abs/10.3316/informit.272682180609940.

[47] Lin, T.-C., & Cheng, Y.-T. (2016). The missing public interest in land: Auctions of public land in Taipei city. https://doi.org/10.1142/S1013251116400038

[48] Dyca, B. (2018). Land value taxation and land speculation: The case of São Paulo, Brazil. https://thesis.eur.nl/pub/46412.

[49] Murray, C. (2016). The first interval: Evaluating ACT's land value tax transition. https://doi.org/10.31219/osf.io/54q68

[50] Barbu, D. (2013). Studies and researches regarding the urban policies impact on land valuation. https://doi.org/10.13128/Aestimum-13131.

[51] Morgan, J., & Shahab, S. (2023). Impact of land value tax on the equity of planning outcomes. https://doi.org/10.3390/land12061152.

[52] Cho, S.-H., Kim, S. G., & Roberts, R. K. (2011). Measuring the effects of a land value tax on land development. https://doi.org/10.1007/s12061-009-9039-3. Cho, S.-H., Lambert, D. M., & Roberts, R. K. (2010). Forecasting open space with a two-rate property tax. https://doi.org/10.3368/le.86.2.263. Choi, K.-W., & Sjoquist, D. L. (2015). Economic and spatial effects of land value taxation in an urban area: An urban computable general equilibrium approach. https://doi.org/10.3368/le.91.3.536. Junge, J. R., & Levinson, D. (2012). Financing transportation with land value taxes: Effects on development intensity. https://doi.org/10.5198/jtlu.v5i1.148. Walker, D. (2023). Reorienting local housing development trends via land value taxation: A bottom-up and top-down quantitative analysis. https://search.proquest.com/openview/b0d801385f72c173dbbba7d526a0aabd/1?pq-origsite=gscholar&cbl=18750&diss=y.

[53] Wenner, F. (2018). Sustainable urban development and land value taxation: The case of Estonia. https://doi.org/10.1016/j.landusepol.2016.08.031.

higher land taxes increased subdivision in high-value suburban areas, potentially contributing to rather than mitigating sprawl.[54]

Taken together, the available evidence again implies that LVT's effects on land use are context dependent. **Efficiency gains appear most likely in high-demand urban settings** where the opportunity costs of holding land are large. In weaker markets, or where planning and valuation systems are underdeveloped, LVT may have little impact on land use decision-making. In other words, what works in dynamic city markets may not translate to lower-demand or rural areas. This means that land use efficiency gains should be viewed as **conditional rather than automatic**.

4.2.3. Does LVT incentivise public investment?

Only a handful of studies explore this, and most treat the issue theoretically or indirectly. Two distinct mechanisms are discussed in the literature: financing, where LVT provides a revenue base to fund infrastructure, and incentivisation, where anticipated revenue gains encourage (local) governments to invest. Most studies focus on the first, with little evidence that the second operates in practice.

Evidence for LVT as a financing tool is modest but clearer. Revenue stabilised in the Australian Capital Territory following reform to existing taxes,[55] suggesting greater fiscal predictability – though without evidence of investment change by government. In Taiwan, land value increases modestly improved short-term revenue, but had limited impact on overall financial performance, largely because land tax remained a small share of local income.[56]

Where the link between LVT and incentivised investment is examined, the **connection is largely inferred**. A simulation for Minnesota (US) cities suggests that LVT could support transport development,[57] but this reflects developer behaviour under revenue-neutral conditions rather than government investment responses. Similarly, research found that proximity to bus stops raised property prices in Cardiff, implying potential for LVT to capture some of that uplift,[58] but the study did not test whether LVT would lead to additional public investment. In both cases, causality runs from public investment to land value increases but cannot extend to demonstrating the reverse.

Qualitative research underlines the same limitations. Welsh expert interviews found that officials saw theoretical potential for LVT to recycle public value into new

[54] Kim, S. G., & Claassen, R. (2016). Modelling land development processes using a sample selection regression. Applied Economics Letters, 23(9), 664–668. https://doi.org/10.1080/13504851.2015.1095999.
[55] Murray, C. (2016). The first interval: Evaluating ACT's land value tax transition. https://doi.org/10.31219/osf.io/54q68.
[56] Liu, D.-Y., Yao, H.-H., Lu, W.-M., & Lin, C.-H. (2020). Impulse response function analysis of the impacts of land value-added tax policy on government performance. https://doi.org/10.1002/mde.3156.
[57] Junge, J. R., & Levinson, D. (2012). Financing transportation with land value taxes: Effects on development intensity. https://doi.org/10.5198/jtlu.v5i1.148.
[58] Wang, Y., Potoglou, D., Orford, S., & Gong, Y. (2015). Bus stop, property price and land value tax: A multilevel hedonic analysis with quantile calibration. https://doi.org/10.1016/j.landusepol.2014.07.017.

investment but doubted whether revenues would realistically be ringfenced for this purpose.[59]

Overall, the literature provides **no direct empirical evidence that LVT leads to greater or better public investment in practice**. The evidence instead aligns with a broader trend towards more targeted land value capture mechanisms, where uplift is recouped from specific developments, rather than generalised taxation effects. Studies also concentrate heavily on metropolitan transport contexts, leaving major gaps in understanding how LVT might function in smaller centres or rural regions.

4.3. Evidence for equity claims

4.3.1. Does LVT discourage land speculation?

The review found 19 studies that addressed this claim, but few examined speculation directly. The central challenge is that speculation is a behaviour that is rarely disclosed and often opaque. Researchers can usually only infer speculation through proxies such as vacant land or post hoc market outcomes.

Across studies, the **finding that LVT increases the tax burden on vacant or under-used land is consistent**. For example, simulations for US cities find that the owners of vacant parcels would face higher liabilities under LVT,[60] with similar effects reported following Australian reforms.[61] These findings are aligned with the expectation that LVT raises holding costs and lend plausibility to the claim that this works to deter speculation – but they do not demonstrate that speculative behaviour actually changes in response.

Where LVT has been implemented, **results are mixed**. In Tallinn, Estonia, potentially speculative land uses such as surface car parks persisted on prime sites despite LVT, potentially due to low effective tax rates.[62] A time-series study of Estonia's property market has suggested that more frequent land valuation could have moderated speculative price inflation.[63] In Japan, falling land tax rates appear to have amplified speculative price cycles,[64] suggesting that poorly designed or weakly implemented taxes can worsen market volatility. Poor enforcement was cited as the main cause for

[59] Morgan, J., & Shahab, S. (2023). Impact of land value tax on the equity of planning outcomes. https://doi.org/10.3390/land12061152.
[60] Cohen, J. P., & Fedele, M. J. (2017). Connecticut's land value taxation public act: Who would bear the burden? https://doi.org/10.1080/10835547.2017.12091463. Vincent, J. (2012). Neighborhood revitalization and new life: A land value taxation approach. https://doi.org/10.1111/j.1536-7150.2012.00849.x.
[61] Murray, C. K., & Hermans, J. (2021). Land value is a progressive and efficient property tax base: Evidence from Victoria. https://search.informit.org/doi/abs/10.3316/informit.272682180609940.
[62] Wenner, F. (2018). Sustainable urban development and land value taxation: The case of Estonia. https://doi.org/10.1016/j.landusepol.2016.08.031.
[63] Cocconcelli, L., & Medda, F. R. (2013). Boom and bust in the Estonian real estate market and the role of land tax as a buffer. https://doi.org/10.1016/j.landusepol.2012.04.007.
[64] Alpanda, S. (2012). Taxation, collateral use of land, and Japanese asset prices. https://doi.org/10.1007/s00181-011-0498-4.

a vacant land tax producing weak results in São Paulo, Brazil, where only 15% of liable parcels were developed within four years.[65]

Evidence from Australia is somewhat more encouraging. Slower price growth and lower investor turnover was reported in the early years following tax reforms in the Australian Capital Territory,[66] with investors' share of property purchases falling from 40% to 22% between 2012-2020.[67] These trends are consistent with reduced speculative activity, but the absence of behavioural data and possible confounding factors (such as credit regulations) mean the **evidence remains circumstantial**.

Qualitative interviews add depth, but little empirical confirmation. In Wales, planning and development experts anticipated that only very high – and politically difficult – **tax rates** would deter speculation.[68] They also viewed speculative behaviour as intertwined with financial and regulatory systems beyond the reach of taxation. In Canada, municipal officials were more positive, but developers doubted that speculation was a significant local issue.[69]

Overall, the evidence suggests that LVT can raise the cost of holding vacant or under-used land but does not robustly demonstrate that speculative behaviour changes in response. Effects appear **contingent on high rates, frequent revaluation, and strong enforcement**, which are often politically or administratively difficult conditions to sustain. Speculation itself varies across markets and geographies and may reflect financial or planning factors that taxation alone cannot address. In short, while anti-speculation arguments remain central to LVT advocacy, the empirical base is thin and reliant on proxies for behaviour (which may have other causes). LVT may function as a partial mechanism for discouraging withheld land rather than a reliable solution.

4.3.2. Does LVT capture unearned gains?

The review identified 21 studies addressing this claim, though most did so normatively rather than empirically. The common assumption is that all land value increases are 'unearned' and therefore taxable, yet few studies investigate how or whether LVT actually captures such gains.

Only a few studies explicitly link land value gains to public action, such as a study finding property prices rose with proximity to bus stops in Cardiff.[70] Empirical work

[65] Dyca, B. (2018). Land value taxation and land speculation: The case of São Paulo, Brazil. https://thesis.eur.nl/pub/46412.
[66] Murray, C. (2016). The first interval: Evaluating act's land value tax transition. https://doi.org/10.31219/osf.io/54q68.
[67] Smith, W. & J. Hermans (2020). The second interval: Evaluating the ACT's 20 year Land Value Taxation transition after 8 years. https://www.prosper.org.au/2020/10/the-second-interval-the-evaluation-in-brief/.
[68] Morgan, J., & Shahab, S. (2023). Impact of land value tax on the equity of planning outcomes. https://doi.org/10.3390/land12061152.
[69] Barbu, D. (2013). Studies and researches regarding the urban policies impact on land valuation. https://doi.org/10.13128/Aestimum-13131
[70] Wang, Y., Potoglou, D., Orford, S., & Gong, Y. (2015). Bus stop, property price and land value tax: A multilevel hedonic analysis with quantile calibration. https://doi.org/10.1016/j.landusepol.2014.07.017

tends to measure land value change rather than the effectiveness of taxation in recouping uplift. Some studies infer that rising values can sustain local revenue. For example, an analysis of Pennsylvania (US) municipalities found that increasing the land tax share correlated with higher land values.[71] Conversely, modelling for China predicted that introducing an LVT would reduce land prices,[72] implying that part of the land value would be absorbed by the tax. Other studies warn of volatility risks. An analysis in Arizona (US) found that land values recovered more slowly than house prices following the 2008 financial crisis.[73]

Real-world cases also raise **doubts about adequacy**. In the Australian Capital Territory, analysis found that landowners gained an average of AUD63,681 in land value between 2012-2020 and paid an average of AUD15,039 in tax,[74] suggesting a large untaxed residual gain. Similar findings from Japan[75] and Taiwan[76] indicate that low effective tax rates serve to capture minimal appreciation in value. Expert interviews reinforce this point. Respondents in Wales argued that levying LVT on current rather than *potential* use values would mitigate outcomes in practice and suggested that targeted value capture instruments might be more effective.[77]

Studies emphasise that **valuation practice is decisive**. In Estonia, outdated assessments limited the ability of LVT to respond to market cycles.[78] A study in Jamaica, where an LVT is levied, found that revaluation did increase liabilities, but caps diluted the effect.[79]

Together, findings underline that LVT's ability to capture unearned gains depends less on conceptual fairness than on practical rate design, revaluation frequency, and political tolerance for increasing tax bills. While the principle that a tax on land value is a tax on unearned gains holds, most empirical studies show that **design and implementation determine whether and to what extent unearned gains are effectively taxed**.

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[71] Yang, Z. (2018). Differential effects of land value taxation. https://doi.org/10.1016/j.jhe.2017.11.002
[72] Zhu, G., & Dale-Johnson, D. (2020). Transition to the property tax in China: A dynamic general equilibrium analysis. https://doi.org/10.1016/j.jue.2019.103214
[73] Larson, W. D., & Shui, J. (2022). Land valuation using public records and kriging: Implications for land versus property taxation in cities. https://doi.org/10.1016/j.jhe.2022.101871
[74] Smith, W. & J. Hermans (2020). The second interval: Evaluating the ACT's 20 year Land Value Taxation transition after 8 years. https://www.prosper.org.au/2020/10/the-second-interval-the-evaluation-in-brief/.
[75] Alpanda, S. (2012). Taxation, collateral use of land, and Japanese asset prices. https://doi.org/10.1007/s00181-011-0498-4.
[76] Lin, T.-C., & Cheng, Y.-T. (2016). The missing public interest in land: Auctions of public land in Taipei city. https://doi.org/10.1142/S1013251116400038
[77] Morgan, J., & Shahab, S. (2023). Impact of land value tax on the equity of planning outcomes. https://doi.org/10.3390/land12061152.
[78] Cocconcelli, L., & Medda, F. R. (2013). Boom and bust in the Estonian real estate market and the role of land tax as a buffer. https://doi.org/10.1016/j.landusepol.2012.04.007.
[79] Sjoquist, D. L. (2005). An analysis of the Jamaican land value tax rate structure. https://ideas.repec.org//p/ays/ispwps/paper0508.html.

4.3.3. Does LVT function as a progressive tax?

The evidence on whether LVT is more progressive in practice than conventional property taxes is mixed. The review found 21 studies that examine the issue to some extent. While most studies find that LVT *can* shift tax burdens towards wealthier owners or high-value land, this outcome remains **highly dependent on both tax design and the relationship between land ownership and income**.

Several studies infer that spatial redistribution – **shifting tax burdens from poorer to wealthier areas** – signals a more progressive system. For example, analysis in the Australian state of Victoria found that higher-income areas tend to have higher site to capital value ratios, suggesting that LVT falls more heavily upon them.[80] Modelling of a hypothetical revenue-neutral LVT for an Ontario (Canada) city similarly found tax liabilities would reduce in poorer inner-city areas and increase in more affluent suburban zones.[81] These studies support the view that LVT **could enhance spatial equity**, but they cannot show whether tax increases or decreases by area translate into greater fairness between households.

A smaller set of studies do consider **progressivity at the household scale**. Simulations in Texas (US) predicted that a revenue-neutral shift to LVT would reduce liability for around 85% of households, primarily by increasing burdens on higher value properties and non-residential land.[82] Larger properties would face modest increases. An analysis of property tax rolls in Pennsylvania found that low-income households faced lower average bills following the introduction of a split-rate tax,[83] although the study stopped short of distributional testing.

Other work complicates the **assumption of a universal, stable relationship between land value and household income**. Quantitative analysis of a representative sample of German households found that, while land is more unequally distributed than property, inequalities in ownership do not align sufficiently closely to inequalities in income for LVT to be more progressive than existing property tax at regional and national scales.[84] Qualitative studies echo this concern. Experts in Wales noted the "asset-rich, cash-poor" problem and stressed that older or lower-income homeowners might face higher liabilities without deferral or relief schemes.[85] These findings indicate

[80] Murray, C. K., & Hermans, J. (2021). Land value is a progressive and efficient property tax base: Evidence from Victoria. https://search.informit.org/doi/abs/10.3316/informit.272682180609940.
[81] Spinney, J. E. L., & Kanaroglou, P. S. (2012). Municipal taxation and social exclusion: Examining the spatial implications of taxing land instead of capital. https://www.jstor.org/stable/26193881
[82] Plummer, E. (2009). Evidence on the distributional effects and administrative feasibility of a land value tax: Who wins, who loses, and can it happen? http://www.jstor.org/stable/resrep18297. Plummer, E. (2010). Evidence on the distributional effects of a land value tax on residential households. https://doi.org/10.17310/ntj.2010.1.03.
[83] Vincent, J. (2012). Neighborhood revitalization and new life: A land value taxation approach. https://doi.org/10.1111/j.1536-7150.2012.00849.x.
[84] Barbosa, R., & Skipka, S. (2019). Tax Housing or Land? Distributional Effects of Property Taxation in Germany https://doi.org/10.2139/ssrn.3523544.
[85] Morgan, J., & Shahab, S. (2023). Impact of land value tax on the equity of planning outcomes. https://doi.org/10.3390/land12061152.

that land value and income are imperfect proxies for one another, limiting how far an LVT alone can advance equity.

Some studies underscore that **progressivity lies in policy design choices**, rather than the tax base on land itself. In the Australian state of Victoria, modelling potential reforms to existing stamp duty and LVT found that the burden would be shifted towards high-value inner city areas.[86] In the Australian Capital Territory, analysis following reforms suggested that higher-income quartiles were contributing a larger share of total tax due to a more progressive rate design.[87] Valuation also matters. An analysis of split-rate assessments in Connecticut (US) found that lower-value properties were more often over-assessed,[88] eroding equitable intent.

Overall, the claim that LVT is more progressive than existing property taxes finds **qualified support**. Most evidence shows that, when well-designed and implemented, LVT can shift tax burdens toward higher value land and wealthier areas. However, direct evidence of redistribution at a household level is limited. Moreover, these outcomes are highly dependent on rate design and valuation quality, as well as local ownership structures. Context and design matter, and there remains a risk that a poorly implemented LVT may replicate or even exacerbate inequalities.

4.3.4. Does LVT reduce socio-economic inequality?

The review found 25 studies addressing the claim, but few measure inequality directly. Typically, studies infer outcomes for inequality from the distribution of tax burdens or the relative tax treatment of residential, commercial, and vacant land.

Some studies identify **potential redistributive effects** that could, in principle, reduce inequality. In Ontario, for example, modelling for a revenue-neutral LVT predicted lower tax liabilities in poorer areas and higher in wealthier suburbs.[89] Following reforms in Australia, higher-income households were found to contribute a greater tax share while lower-income renters appeared to gain modestly.[90] While these analyses lend plausibility, they stop short of tracing how tax changes affect household welfare or

[86] Wood, G. et al. (2012). The spatial and distributional impacts of the Henry Review recommendations on stamp duty and land tax. https://www.ahuri.edu.au/research/final-reports/182.
[87] Smith, W. & J. Hermans (2020). The second interval: Evaluating the ACT's 20 year Land Value Taxation transition after 8 years. https://www.prosper.org.au/2020/10/the-second-interval-the-evaluation-in-brief/.
[88] Cohen, J. P., & Fedele, M. J. (2017). Where in Connecticut is the best location for a split tax? An analysis of land assessment equity in several cities. https://doi.org/10.3390/buildings7040108.
[89] Spinney, J. E. L., & Kanaroglou, P. S. (2012). Municipal taxation and social exclusion: Examining the spatial implications of taxing land instead of capital. https://www.jstor.org/stable/26193881
[90] Murray, C. K., & Hermans, J. (2021). Land value is a progressive and efficient property tax base: Evidence from Victoria. https://search.informit.org/doi/abs/10.3316/informit.272682180609940. Smith, W. & J. Hermans (2020). The second interval: Evaluating the ACT's 20 year Land Value Taxation transition after 8 years. https://www.prosper.org.au/2020/10/the-second-interval-the-evaluation-in-brief/.

broader inequality outcomes. This is in large part because linking tax liability data with income and wealth measures requires complex data integration.[91]

Where household effects are examined directly, **results are modest** and can be ambiguous. Simulations for Texas (US) found average tax reductions for residential properties under a hypothetical LVT but also predicted that a significant share of lower-value properties would face short-term increases.[92] Similarly, a simulation for Virginia predicted reduced tax liability for lower-income households.[93] In the Australian Capital Territory, greater housing stability and a higher share of first-home buyers were observed following reforms.[94] However, predictive findings cannot extend beyond tax liability, and observational outcomes are difficult to translate into measurable reductions in inequality.

Some studies indicate that **distributional outcomes depend on local market and ownership structures**. In Germany, analysis indicating that inequalities in land ownership do not closely align with inequalities in income[95] raises questions about which socio-economic outcomes LVT can address. Qualitative research reinforces this point, with Welsh expert interviewees doubting that LVT could substantially reduce inequalities given spatial differences in land values and incomes, particularly between rural and urban areas.[96]

Overall, the claim that LVT reduces socio-economic inequality remains weak because most studies necessarily **rely on short-term observations or spatial proxies rather than direct measures of socio-economic change** over time. LVT may redistribute tax burdens in ways that are consistent with greater equity, but clear proof of reduced inequality is lacking.

4.4. Opportunities for further research

Key areas for further work include strengthening causal evidence for LVT outcomes, building evidence for non-urban contexts, and examining how LVT functions within wider institutional and tax systems. Addressing empirical evidence gaps matters because, while efficiency and equity arguments for LVT are longstanding and theoretically compelling, they cannot realistically meet policy decision-making needs unless they are matched by **credible and comparable evidence of how LVT**

[91] Sjoquist, D. L. (2007). How should land be taxed? Analyzing the Jamaican land value tax. https://doi.org/10.1177/1091142106290454
[92] Plummer, E. (2009). Evidence on the distributional effects and administrative feasibility of a land value tax: Who wins, who loses, and can it happen? http://www.jstor.org/stable/resrep18297
[93] Bowman, J. H., & Bell, M. E. (2008). Distributional consequences of converting the property tax to a land value tax: Replication and extension of England and Zhao. https://doi.org/10.17310/ntj.2008.4.02.
[94] Murray, C. (2016). The first interval: Evaluating ACT's land value tax transition. https://doi.org/10.31219/osf.io/54q68.
[95] Barbosa, R., & Skipka, S. (2019). Tax Housing or Land? Distributional Effects of Property Taxation in Germany https://doi.org/10.2139/ssrn.3523544
[96] Morgan, J., & Shahab, S. (2023). Impact of land value tax on the equity of planning outcomes. https://doi.org/10.3390/land12061152

performs in real places, under real conditions and constraints. Without bolstering the empirical evidence base, debates about LVT are likely to remain circular – reiterating principles rather than engaging with practice.

The following opportunities for further research emerge from the review.

1. **Strengthening causal evidence on behavioural responses**.
   Across efficiency and equity claims, the lack of robust causal identification remains a key limitation. To date, few studies have been able to isolate the effects of LVT from broader planning or market factors. There remains a need for:
   a. **Quasi-experimental designs** (such as difference-in-difference or synthetic control studies) using administrative data from jurisdictions undertaking reforms.
   b. **Longitudinal data** from observation rather than predictive modelling that can link land use outcomes, market transactions, and other relevant indicators to tax reform.
   c. **Study designs capable of observing actual behaviour** (such as turnover, holding periods, and development timing) rather than assuming behaviour from tax rates or liabilities alone.
2. **Improving spatial evidence**, **especially for rural, peripheral, and/or low-demand contexts.**
   The existing evidence base is largely urban-centric. Claims for efficient land use and reduced speculation particularly rest on assumptions that are likely to hold most strongly in high-demand markets. This leaves significant gaps in knowledge about the effects of LVT outside these contexts. Further research is needed to provide:
   a. **Empirical assessments of LVT in rural, small town and/or lower-value areas** where incentives are expected to be weaker or function differently.
   b. **Comparative work on LVT interactions** with different land use and tenure patterns and spatial planning systems.
   c. Studies exploring **inter-regional distributional effects**, including whether and how LVT would exacerbate or mitigate spatial inequalities under existing arrangements for sub-national fiscal autonomy.
3. **Testing public investment feedback loops**.
   The review found minimal real-world evidence that LVT incentivises public investment – only that it can help to finance it. Further research could examine:
   a. **Whether LVT adoption or rate changes correlate with changes in local capital spending**, and under what conditions.
   b. **Whether LVT leads to better-targeted infrastructure investment** or risks privileging areas with the highest uplift potential.

    c. **Interactions with other value-capture mechanisms**, which may provide clearer pathways for empirical testing.

4. **Understanding the practical consequences of valuation**.
   Several claims depend on regular and accurate valuations. There is evidence that valuation practice can undermine efficiency and potentially lead to uneven outcomes. There is a need for further research on:
    a. **How and why valuation accuracy varies**, and the extent to which this has non-random effects (such as for rural versus urban areas).
    b. The **administrative feasibility and value-for-money implications** of the accuracy and regularity of valuations required.
    c. The **distributional implications of alternative valuation bases**, such as current use versus highest and best use.
5. **Developing integrated, mixed-methods evidence on how LVT operates within institutional systems**.
   LVT does not operate as a stand-alone mechanism. Evidence shows that effects depend on markets, planning systems, governance capacity, and political feasibility. There are interesting opportunities for future research to:
    a. **Apply process tracing or institutional ethnography** to explore how planning, valuation, and taxation systems interact with LVT in practice.
    b. Examine the **political economy of tax design**, such as rate-setting and exemptions, and exploring real-world constraints on designing an "ideal" LVT.
    c. **Explore hybrid approaches** that provide for a more targeted or selective implementation of LVT, or integrate LVT with other reforms, to better understand what combinations could produce meaningful change.
6. **Exploring public perceptions of LVT.**
   The review indicates that some outcomes depend on policy designs that are politically difficult, such as high liabilities and frequent revaluation. Without better understanding public perceptions, LVT research risks repeating theoretical designs that are not feasible to implement or sustain. Further research could examine:
    a. **How and why perceptions of fairness and transparency vary** across different LVT designs.
    b. **How perceptions differ** between landowners, tenants, businesses, and land-based sectors, and across rural and urban spatial contexts.
    c. Ways to effectively **frame and communicate LVT policy design choices**.

It is important to recall that this review has been **limited to studies that explicitly examine LVT**. There are **related literatures that may offer useful insights** into some of the claims and evidence gaps noted here. For example, research on land value capture, developer behaviour, planning gain, infrastructure finance, and the broader design and delivery of local and/or property taxation may potentially provide useful

comparative insights on fiscal and regulatory change. Further research on LVT would benefit from **drawing lessons from these fields together and identifying where findings are transferable**.

5. Discussion: Implications for Wales

The previous section assessed the extent to which the key efficiency and equity claims made for LVT are supported by empirical evidence. It highlighted a need to understand the conditions under which LVT operates effectively and hence to consider the extent to which these conditions are achievable in practice and the trade-offs that arise. This discussion now turns from the evidence base to its implications for Wales, **considering Welsh characteristics** to explore **how the effects identified in the literature might plausibly arise** and **where outcomes are likely to be constrained**.

5.1. Current Welsh characteristics

The effects of an LVT are shaped not only by tax design, but by the **socio-economic, spatial, and institutional contexts** in which an LVT is implemented. In Wales, these contextual factors are distinctive and there are also significant differences across the country. Understanding existing Welsh characteristics is essential for assessing how findings from the evidence might translate into practice and where outcomes in Wales are likely to diverge from those observed elsewhere. This subsection outlines the Welsh characteristics that are relevant to LVT implementation.

5.1.1. Existing devolved property tax system

Local property taxes are a central pillar of devolved Welsh tax policy and are used to finance local government, contributing to public services like education, social care, waste collection, and highways. There are two local property taxes in Wales: Council Tax (on residential property) and Non-Domestic Rates (NDR; on commercial property). Responsibility for these taxes was transferred to Wales at devolution in 1999, and Wales has had primary legislative powers over them since 2011.

Council Tax is administered by Wales's 22 local authorities. The Welsh Government controls the legal framework for Council Tax, but each authority sets and collects the tax in its area. Currently, properties are assigned to bands based on assessed market values from 2003, making Council Tax a very stable revenue source. Council Tax funds on average around 15% of expenditure by authorities.[97] This differs from England, where reduced central funding allocation means that local taxes play a larger role. In

[97] Welsh Local Government Association (n.d.) Funding & money management. https://www.wlgacouncillorsguide.wales/funding-money-management/.

2024 the Welsh Government passed reforms aimed at making it fairer and more progressive. These include revaluation and banding reform in 2028, with revaluations planned every 5 years thereafter.[98] There is an existing Council Tax Reduction Scheme to provide reliefs to low-income households, and local authorities can apply premiums on long-term empty homes and second homes.

The Welsh Government again controls the framework for **NDR**, and local authorities handle billing and collection. However, unlike Council Tax, the revenues are pooled nationally and then redistributed to authorities as part of the needs-based local government funding settlement. This pooling is intended to benefit authorities with weaker tax bases. The Valuation Office Agency (VOA) assesses the rateable value of each eligible commercial property on a three-yearly cycle, and the Welsh Government sets a multiplier for calculating tax liability.[99] However, revenue is also more likely to be impacted by economic shifts, such as the closure of a major industry. There is a system of reliefs, notably for small businesses and short-term vacant commercial properties, and some non-domestic property types are exempted, such as places of worship and agricultural land and buildings.[100] Following revaluation, transitional relief schemes for taxpayers facing large bill increases have been considered, with support confirmed for after the next revaluation taking effect in April 2026.[101] Notably, self-catering holiday let properties that meet certain use criteria are assessed for NDR instead of Council Tax.[102] From April 2026, Wales will shift from a single multiplier for calculating tax liability to three multipliers: a lower rate for small retail properties, a standard rate for most properties, and a higher rate for properties with a rateable value over £100,000.

In general, Welsh local government finance policy must **balance local autonomy in raising revenue with fairness and the limited tax base in some areas**. Beyond Council Tax and redistributed NDR, authorities in Wales still rely heavily on financial support from the Welsh Government, primarily through the Revenue Support Grant (RSG) which provides core revenue funding. For the 2025-26 financial year, authorities were allocated a total of £4.9 billion through the RSG.[103] There are also several more specific grants targeted to particular policy areas, such as Universal Primary Free School Meals and bus services support.

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[98] LawWales (2024). Local Government Finance (Wales) Act 2024. https://law.gov.wales/local-government-finance-wales-act-2024.
[99] Ibid.
[100] Business Wales (2026). Business Rates in Wales. https://businesswales.gov.wales/topics-and-guidance/business-tax-rates-and-premises/business-rates-wales.
[101] Cabinet Secretary for Finance and Welsh Language (2025). Written statement: Non-domestic Rates support for 2026-27. https://www.gov.wales/written-statement-non-domestic-rates-support-2026-27.
[102] Business Wales (n.d.). Non-domestic Rates for self-catering properties in Wales. https://businesswales.gov.wales/non-domestic-rates-self-catering-properties-wales.
[103] Senedd Research (2025). Budget 2025-26: 4.5% increase to core funding for local authorities but pressures remain. https://research.senedd.wales/research-articles/budget-2025-26-4-5-increase-to-core-funding-for-local-authorities-but-pressures-remain/.

Until the Wales Act (2014), Council Tax and NDR were the only taxes handled in Wales. The Act and subsequent legislation have devolved further taxation powers to Wales. Since 2018, Wales levies a **Landfill Disposals Tax** and a **Land Transaction Tax** (LTT), replacing Stamp Duty Land Tax. Both are administered by the Welsh Revenue Authority (WRA), which was established in 2017. **Welsh Rates of Income Tax** were introduced in 2019 and are administered by HMRC.

LTT is also a form of property tax, which is levied at sale based on the transaction value. There are different rate bands for residential and commercial properties. The tax is self-assessed and payable by the purchaser. The Welsh Government sets LTT rates and thresholds. As of 2024, the threshold at which LTT applies is £225,000 for both residential (if the purchaser does not own other property) and non-residential.[104] Beyond this threshold, Wales does not offer relief for first-time buyers. However, there are some reliefs for properties with multiple dwellings and charities buying property. There are also higher residential rates for companies, trusts, and private buyers who already own one or more residential properties. In recent years, the Welsh Government has adjusted LTT rates in response to economic conditions, such as introducing a temporary tax holiday during the COVID-19 pandemic.[105] All LTT revenues accrue to the Welsh Government and become part of the resources funding public services in Wales.

While the current devolved property tax system is primarily focused on generating revenue to support public services, the use of taxes as policy levers has also been explored. Through the Housing (Wales) Act 2014,[106] local authorities gained the power to charge **Council Tax premiums** on long-term empty properties and second homes, to support housing supply and affordability. Individual authorities can decide whether to apply a premium, and while the powers are widely used, they have been adjusted over time. Recent developments have included a 2025 consultation on the classification of self-catering properties in the local tax system.[107] In 2018, a **vacant land tax** was selected as a candidate for Wales's first entirely new tax, aimed at encouraging house building and the commercial development of unused land. However, this would require UK Government approval and as at 2024 progress had stalled, with discussions with HM Treasury reaching an impasse.[108] In parallel to property tax, Wales includes **Section 106 agreements** (where developers agree to

[104] Welsh Revenue Authority (2017). Land Transaction Tax: introduction. https://www.gov.wales/land-transaction-tax-introduction.
[105] Minister for Finance and Trefnydd (2021). Written statement – Land Transaction Tax – extension of the temporary tax reduction period. https://www.gov.wales/written-statement-land-transaction-tax-extension-temporary-tax-reduction-period.
[106] LawWales (2025). Housing (Wales) Act 2014. https://law.gov.wales/housing-wales-act-2014.
[107] Welsh Government (2026). Proposed changes to the classification of self-catering properties for tax purposes. https://www.gov.wales/proposed-refinements-classification-self-catering-properties-local-tax-purposes.
[108] Senedd Research (2024). Vacant land tax discussions at an impasse. https://research.senedd.wales/research-articles/vacant-land-tax-discussions-at-an-impasse.

provide facilities or affordable housing) and a **Community Infrastructure Levy** as part of the planning system.

As this outline indicates, the administration of property taxes in Wales is shared among several bodies, working under Welsh Government policy. These are summarised in the Table below. This institutional set-up has evolved since devolution. Coordination with UK agencies remains important – including for any future introduction of national taxes – but Wales has increasing autonomy in how it designs and operates property taxes.

Table 3: Bodies involved in Welsh property tax administration

Body	Key responsibilities
Welsh Government	Sets the legislative framework.
Welsh local authorities (22)	Send out bills for Council Tax and NDR, collect payments, and manage any local rebates or enforcement.
Valuation Office Agency (VOA)	Values properties for Council Tax and NDR, assigns bands or rateable values, and maintains valuation lists. The VOA is an agency of HMRC and serves both England and Wales.
Valuation Tribunal for Wales	Hears appeals of VOA decisions and can order changes to valuations or bands.
Welsh Revenue Authority (WRA)	Administer devolved national taxes (other than Council Tax and NDR), including collecting and managing LTT.

Under the current property tax system, **agricultural land** and buildings in Wales receive significant tax exemptions. Farmers do not pay NDR on fields or farm buildings, although farmhouses are liable for Council Tax. When agricultural land is sold, it may be subject to LTT if the value exceeds the LTT threshold. Most farmland transactions would be taxed at the non-residential LTT rates, which are lower than those for residential property.[109] Unlike some countries, there is **no separate tax on agricultural land**. These are long-standing policy choices across the UK, intended to support farming and rural economies.

Beyond devolved taxes, it is worth noting that farmers also benefit from UK-wide tax reliefs, such as agricultural property relief from **inheritance tax**. These reliefs lie outside Welsh tax policy, and the UK Government's recent attempts to reduce them have been politically controversial.[110] Research by CenTax found that, while almost

[109] Welsh Government (2024). Land Transaction Tax rates and bands. https://www.gov.wales/land-transaction-tax-rates-and-bands.
[110] Masala et al. (2026). Changes to agricultural and business property reliefs for inheritance tax. https://commonslibrary.parliament.uk/research-briefings/cbp-10181/.

half of impacted farm estates would see a tax increase of less than 5%, around 14% of estates would face difficulties meeting their liability.[111] As this suggests, while there have been periodic debates on whether differential tax treatment for agricultural land is still appropriate, any policy changes are high profile and likely to receive pushback.

5.1.2. Geography, land use, and planning

Wales's physical geography, settlement and land use patterns, and planning system create a distinctive context for considering how an LVT might operate in practice. The specific configuration of underlying issues in Wales (such as rural-urban differences and environmental constraints) matters because it shapes the **distribution of land values** and the **scope for land-use change**. This subsection summarises the main Welsh characteristics in this regard.

Settlement patterns and demography

Wales has a relatively low population density, with around 154 people per square kilometre compared to 450 in England.[112] This headline figure masks notable internal contrasts, however. Almost half the population is concentrated in the south-east (including Cardiff, Newport, and the Valleys), in a region accounting for only around 14% of Wales's land area.[113] This reflects a settlement pattern in which the greatest concentration of population, employment, and development demand sits along the M4 corridor, while large parts of mid and west Wales are characterised by small market towns and dispersed rural settlements. For example, Powys covers about 25% of Wales and has a population density of only 26 people per square kilometre.[114] These **uneven population densities** are not just a demographic feature. They reflect (and reinforce) **differences in market size, accessibility, service catchments, and the feasibility of future development**. They also mean that 'typical' land and property market conditions vary substantially across Wales, even before considering other constraints.

Transport and infrastructure vary significantly across Wales, reflecting both geographical conditions and historic investment patterns. In practical terms, areas outside the main urban centres and corridors often experience lower access to public infrastructures and weaker public transport connectivity. These infrastructure gradients influence the viability of local development, particularly in rural areas where market size is a limiting factor.

[111] Advani et al. (2025). The impact of changes to inheritance tax on farm estates. https://centax.org.uk/policy-brief-the-impact-of-changes-to-inheritance-tax-on-farm-estates/.
[112] ONS (2025). Population density. https://www.ons.gov.uk/explore-local-statistics/indicators/population-density.
[113] Welsh Government (2020). Summary statistics for Wales, by region: 2020. https://www.gov.wales/summary-statistics-regions-wales-2020.
[114] ONS (2025). Population density. https://www.ons.gov.uk/explore-local-statistics/indicators/population-density.

Demographically, Wales has an **older population** on average. At Census 2021, Wales had a median age of 42 compared to 40 for England,[115] with 21% of the Welsh population aged 65 or older.[116] Within Wales, many rural and coastal areas have older age profiles. For example, the Isle of Anglesey had a median age of 48, while urban Cardiff had a median age of 34.[117] This is reflected in 26% of Anglesey's population above retirement age, compared to 14% in Cardiff.[118] These demographic patterns are relevant because they interact with housing demand (including for retirement) and, particularly in rural areas, influence the viability of local services such as schools.

In terms of **housing tenure**, Wales has relatively high levels of owner occupation by UK standards. At Census 2021, around 66% of households owned their home.[119] Tenure patterns do vary by local authority. In the Census, Cardiff had the lowest rate of home ownership (58.3%) and the highest rate of private renting (24.3%), while Torfaen had the highest rate of social renting (23.8%).[120] Stats Wales estimate tenure by housing stock, rather than households. At 2023, the Welsh Government reported estimates that 70% of housing stock is owner occupied, 14% privately rented, 10% held by social landlords, and 6% owned by local authorities.[121]

Land use patterns and environmental constraints

Land use patterns in Wales reflect the rural nature of much of the country. Between 80%[122] and 90%[123] of land area in Wales is used for **agriculture**. However, Wales's terrain, climate, and soils constrain agricultural conditions, and 79% of Welsh land has been designated as 'Less Favoured Area'.[124] As a result, the majority of Welsh farmland is used for grazing sheep and cattle and the average farm income in Wales is the lowest of the four UK nations.[125] This means that large shares of Welsh farmland

[115] ONS (2025). Census 2021 – median age. https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/populationestimates/adhocs/2583census2021medianage.
[116] ONS (2021). TS007B – Age by broad age bands. https://www.nomisweb.co.uk/datasets/c2021ts007bhttps://www.nomisweb.co.uk/datasets/c2021ts007b.
[117] ONS (2025). Census 2021 – median age. https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/populationestimates/adhocs/2583census2021medianage.
[118] ONS (2021). TS007B – Age by broad age bands. https://www.nomisweb.co.uk/datasets/c2021ts007bhttps://www.nomisweb.co.uk/datasets/c2021ts007b.
[119] ONS (2023). Housing, England and Wales: Census 2021. https://www.ons.gov.uk/peoplepopulationandcommunity/housing/bulletins/housingenglandandwales/census2021.
[120] Ibid.
[121] Welsh Government (2024). Dwelling stock estimates: as at 31 March 2023. https://www.gov.wales/dwelling-stock-estimates-31-march-2023-html.
[122] Natural Resources Wales (2022). SoNaRR2020: Land use and soil. https://naturalresources.wales/evidence-and-data/research-and-reports/state-of-natural-resources-report-sonarr-for-wales-2020/sonarr2020-our-assessment/cross-cutting-themes/land-use-and-soil/?lang=en.
[123] Welsh Government (2024). Survey of agriculture and horticulture: June 2024. https://www.gov.wales/survey-agriculture-and-horticulture-june-2024-html.
[124] Senedd Research (2022). The farming sector in Wales. https://research.senedd.wales/research-articles/the-farming-sector-in-wales/.
[125] Welsh Government (2024). Survey of agriculture and horticulture: June 2024. https://www.gov.wales/survey-agriculture-and-horticulture-june-2024-html.

are managed under **land uses that are extensive** by nature and often operate under tight margins that are exposed to changing economic and policy conditions. It is also important to note that Wales has a large proportion of small farms. The average farm in Wales is 48 hectares, compared to 85 hectares in England, and 55% of farms are less than 20 hectares.[126] This means a lot of individuals and families have a stake in agricultural land. At the same time, the relatively **small number of large farms occupy an outsized proportion of land area**.

Some 15% of Welsh land is used for **woodland and forestry**.[127] Of this, around 40% is covered by the Welsh Government Woodland Estate, making Natural Resources Wales the largest land manager in the country.[128] The Welsh Government has long-term commitments to significantly increase tree planting under woodland and climate change strategies. However, there have been concerns about both the viability of converting productive agricultural land to woodland and corporations purchasing land for carbon offsetting.[129]

Wales contains extensive areas where land use is shaped by **landscape and environmental designations** that prioritise conservation objectives and limit development. National Parks and Areas of Outstanding Natural Beauty (AONBs) cover approximately 25% of Wales.[130] These designations have different legal purposes and governance arrangements, but in practice they involve tighter **management of development** and stronger emphasis on landscape character and heritage. In addition, Sites of Special Scientific Interest (SSSIs) cover about 12% of Wales.[131] These are **statutory conservation sites** and works or activities that may damage them require consent from Natural Resources Wales.

Under the Countryside and Rights of Way Act, around 20% of land in Wales is recognised as **'access land'**, where the public have the right of access on foot.[132] This includes open country and common land, and some areas where owners like Natural Resources Wales allow free access. A further land tenure feature is that approximately

[126] Senedd Research (2022). The farming sector in Wales. https://research.senedd.wales/research-articles/the-farming-sector-in-wales/.
[127] Natural Resources Wales (2022). SoNaRR2020: Land use and soil. https://naturalresources.wales/evidence-and-data/research-and-reports/state-of-natural-resources-report-sonarr-for-wales-2020/sonarr2020-our-assessment/cross-cutting-themes/land-use-and-soil/?lang=en.
[128] Natural Resources Wales (2023). How we manage the Welsh Government Woodland Estate. https://naturalresourceswales.gov.uk/guidance-and-advice/environmental-topics/trees-woodlands-and-forests/how-we-manage-the-welsh-government-woodland-estate/?lang=en.
[129] Van de Vyver Blackman (2025). Tree planting: What's next for Wales? https://research.senedd.wales/research-articles/tree-planting-what-s-next-for-wales/.
[130] Natural Resources Wales (2023). Area statements and designated landscapes. https://naturalresources.wales/about-us/what-we-do/strategies-plans-and-policies/area-statements/sector-specific-information/area-statements-and-designated-landscapes/?lang=en.
[131] Natural Resources Wales (2023). Types of protected areas of land and sea. https://naturalresources.wales/guidance-and-advice/environmental-topics/wildlife-and-biodiversity/protected-areas-of-land-and-seas/types-of-protected-areas-of-land-and-sea/?lang=en.
[132] Natural Resources Wales (2023). Open access land. https://naturalresources.wales/days-out/recreation-and-access-policy-advice-and-guidance/managing-access/open-access-land/?lang=en.

8.5% of Welsh land area is covered by **registered common land**.[133] This is particularly important in upland areas for grazing and carries additional governance complexity because owners and rights holders may not align neatly.

Collectively, these designations mean that **permissible land uses, development opportunities**, and, to some extent, **amenity-driven values vary across Wales**. They also highlight that **"land" is not a uniform tax base**: much of Wales's territory contains overlapping policy objectives around landscape, biodiversity, access, and cultural heritage.

Land market contexts

Rural Wales

Wales is a predominantly rural country with a **shallow urban hierarchy**. Cardiff is the only large and strongly growing city, followed by the mid-sized centres of Swansea, Newport, and Wrexham. In addition to accounting for a large share of land area in Wales, rural areas play a central role in policy objectives relating to food production, energy generation, environmental management, and cultural sustainability. They provide public goods, including water and ecosystem services, and support urban growth through resource provision and amenity value. However, many rural areas face structural challenges that differentiate rural land and property markets from those in more urbanised parts of Wales.

Low population density and **remoteness from major population centres and economic markets** are defining features of rural Wales, which consequently have weaker transport connectivity and higher per-capital costs of service provision.[134] Digital connectivity and energy infrastructure pose additional constraints. These factors **influence development viability and infrastructure investment** and contribute to pronounced differences in land demand and land-use intensity.

Wales's **rural economy** is concentrated, with heavy reliance on agriculture, tourism, and the public sector.[135] Agriculture remains particularly significant, both in terms of land coverage and employment, but is characterised by low productivity and low average incomes.[136] Many land-based businesses have limited capacity to absorb additional costs.

Rural areas are also marked by demographic imbalance, notably **ageing populations** and the **outmigration of younger people**, with implications for the long-term sustainability of rural areas. The drivers for out-migration are interlinked and include housing affordability, limited employment opportunities, and access to services.[137]

[133] LawWales (2021). Common land. https://law.gov.wales/environment/countryside-and-access/common-land.
[134] Woods et al. (2021). A rural vision for Wales: The evidence report. https://hdl.handle.net/2160/fec61c83-4694-4698-a285-ef1826762577.
[135] Ibid.
[136] Ibid.
[137] Ibid.

These demographic trends interact with land and housing markets, particularly in areas where competition from external buyers, second homes and holiday accommodation puts upward pressure on prices relative to local incomes.[138] At the same time, planning policies can limit housing supply in smaller villages, contributing to affordability pressures.[139]

Coastal areas

Coastal areas in Wales raise important policy issues. Wales has around 1,680 miles of coastline.[140] Of this, 300 miles of is designated as Heritage Coasts, which is intended to limit insensitive development.[141] In addition to the cities of Cardiff, Newport, and Swansea, Wales has 22 coastal towns including Aberystwyth, Port Talbot, Bangor, and Holyhead.[142] There are also numerous smaller coastal settlements and the figure of **60% of the population living and working in coastal areas** is commonly cited.[143]

Wales's coastal areas face **varying amenity and economic pressures**. In 2016, the Welsh Government commissioned work on a typology of coastal communities.[144] It identified 9 community types by socio-economic and demographic conditions, noting key differences between affluent and deprived communities; tourism-dependent, single industry, and cosmopolitan areas; retirement areas and second homes; employment opportunities and benefit claimants.

Risk considerations are also important in Wales's coastal areas, with ongoing coastal erosion risks and the need for flood defences.[145] (Flood risk is not only a coastal issue in Wales, especially where development has historically occurred in valley floors and floodplains.) These considerations matter because they shape the long-run development capacity of certain places, through flood risk policy, insurance and infrastructure constraints.

Post-industrial areas

Wales has a substantial post-industrial geography. The south Wales Valleys and some coastal industrial zones reflect the **legacy of coal mining, steelmaking, and associated heavy industry**. This legacy has shaped both settlement patterns and

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[138] Ibid.
[139] Ibid.
[140] Welsh Government (2025). Technical advice note (TAN) 15: development, flooding and coastal erosion. https://www.gov.wales/technical-advice-note-tan-15-development-flooding-and-coastal-erosion.
[141] DataMapWales (2022). Heritage Coasts. https://datamap.gov.wales/layers/inspire-nrw:NRW_HERITAGE_COAST.
[142] ONS (2020). Coastal towns in England and Wales: October 2020. https://www.ons.gov.uk/businessindustryandtrade/tourismindustry/articles/coastaltownsinenglandandwales/2020-10-06.
[143] Welsh Government (2015). Wales marine evidence report. https://www.gov.wales/welsh-national-marine-plan-0.
[144] OCSI (2016). Development of a coastal community typology. https://www.gov.wales/development-coastal-community-typology.
[145] Welsh Government (2025). Technical advice note (TAN) 15: development, flooding and coastal erosion. https://www.gov.wales/technical-advice-note-tan-15-development-flooding-and-coastal-erosion.

land condition, including **contaminated and unstable land** in some locations. It has also led to **socio-economic challenges and regeneration priorities** over multiple decades.[146]

Former industrial sites that are no longer in use can be classified as 'brownfield'. **Brownfield sites** are often viewed as ripe for development both to support regeneration and because they are typically already served by basic infrastructure such as roads and utilities.[147] Developing brownfield can also help reduce the loss of green space. However, there are **considerable barriers to development**, not least because former industrial sites often require costly demolition and land remediation works.[148] Further difficulties arise in more deprived or economically weak post-industrial areas where low market demand can limit the viability of new development.[149]

Land ownership and governance

Land ownership in Wales is rooted in historical patterns and has evolved through public and private sector changes. Following the conquest of Wales under Edward I in the late thirteenth century, landholding patterns transformed to individual ownership and a landed gentry emerged.[150] This led to the **concentration of land ownership in large estates up until the late 19th and early 20th centuries** when they began to be broken up.[151] The legacies of private estates remain in some areas, particularly in rural areas where ownership of some parcels can be traced back generations. However, it remains **challenging to comprehensively quantify land ownership** in Wales because registration with HM Land Registry only became compulsory in 1990 and is on a transaction basis.[152] This means that land that has not been sold, mortgaged, or otherwise legally transferred since 1990 may not be registered. According to HM Land Registry, around **15% of land across England and Wales remained unregistered** as of 2018.[153] This is expected to include long-held estates that have stayed off the market, as well as Crown and Church landholdings. HM Land Registry have previously committed to achieving comprehensive registration by 2030,[154] but it is unclear how feasible this goal remains. It should be noted that, to receive payments under the

[146] Taskforce for the Valleys (2016). Fifty years of regeneration in the Valleys – What can we learn? https://www.gov.wales/taskforce-valleys-meeting-22-september-2016.
[147] Audit Wales (2024). Sustainable development? Making best use of brownfield land and empty buildings. https://www.audit.wales/publication/sustainable-development-making-best-use-brownfield-land-and-empty-buildings.
[148] Ibid.
[149] Ibid.
[150] Carr, A. D. (2017). *The gentry of North Wales in the later Middle Ages*. University of Wales Press.
[151] The National Library of Wales (n.d.) Manuscript estate maps. https://www.library.wales/catalogues-searching/about-our-collections/maps/manuscript-estate-maps.
[152] HM Land Registry (n.d.). Registering land or property with HM Land Registry. https://www.gov.uk/registering-land-or-property-with-land-registry.
[153] Hookway (2018). Searching for the owner of unregistered land. https://hmlandregistry.blog.gov.uk/2018/02/05/search-owner-unregistered-land/.
[154] HM Land Registry (2017). HM Land Registry Business Strategy 2017 to 2022. https://www.gov.uk/government/publications/hm-land-registry-business-strategy-2017-to-2022.

Sustainable Farming Scheme, agricultural properties do need to be registered with Rural Payments Wales.[155]

A sizeable portion of Welsh land is **owned by public bodies or institutional stakeholders**. There is no single official statistic for total public sector land ownership in Wales, although independent estimates are sometimes made using Land Registry data. The **Welsh Government** itself is a major landowner, and an estimated 20,000 land titles are registered to Welsh ministers.[156] While the amount of **land owned by Welsh local authorities** is not centrally tracked, this will include land for council housing, schools, town halls and other public buildings, and public amenities such as parks. In addition, local authorities own some 15,000 hectares of agricultural land in Wales, which are let as smallholdings.[157] **UK Government departments** also hold land in Wales for purposes such as infrastructure and office space. The Ministry of Defence is the largest of these, holding 23,300 hectares in Wales.[158]

Another major landowner is the **Crown Estate**, a portfolio of land and marine assets nominally owned by the monarch but managed by an independent commission. In Wales, the Crown Estate holds approximately 65% of foreshore and riverbeds and over 50,000 acres of uplands and common land, generating an estimated annual revenue of £8.7 million in 2020-21.[159]

Institutional landowners are also prominent. For example, the not-for-profit utility company Dŵr Cymru (Welsh Water) manages around 40,000 hectares.[160] Other utilities and energy firms will hold parcels for grids, pipelines, and renewable energy projects. Conservation charities such as the National Trust and Wildlife Trusts steward significant landscapes, including parts of the Gower Peninsula and Pembrokeshire coast, alongside historic estates. The **National Trust** reports that it currently owns over 46,000 hectares of farmland in Wales.[161] The **Church in Wales**'s landholdings are not publicly reported, but it owns some 2,000 church properties and £700 million of investments.[162]

Absentee and external landowners are a charged issue in Wales. This can cover a range of situations, including agricultural landowners who live outside Wales, affluent individuals with second homes or holiday cottages, and, more recently, corporations

[155] Welsh Government (2025). Sustainable farming scheme: Scheme description. https://www.gov.wales/sustainable-farming-scheme-2026-scheme-description.
[156] Welsh Government (2023). FOI release: Welsh Government owned land. https://www.gov.wales/atisn18635.
[157] Welsh Government (2025). Local authority smallholdings: Annual report 2023-2024. https://www.gov.wales/local-authority-smallholdings-annual-report-2023-2024.
[158] Ministry of Defence (2024). MOD land holdings 2000-2024. https://www.gov.uk/government/statistics/mod-land-holdings-bulletin-2024/mod-land-holdings-2000-to-2024.
[159] Senedd Research (2025). The Crown Estate: In brief. https://research.senedd.wales/research-articles/the-crown-estate-in-brief/.
[160] Dŵr Cymru (n.d.). About us. https://corporate.dwrcymru.com/en/about-us.
[161] National Trust (n.d.). Farming in Wales. https://www.nationaltrust.org.uk/visit/wales/farming-in-wales.
[162] The Church in Wales (2025). Representative body. https://www.churchinwales.org.uk/en/about-us/representative-body/.

investing in Welsh land for purposes such as carbon offsetting.[163] Measuring absentee and external ownership poses challenges. While HM Land Registry provides data on both overseas and UK companies that own land in England and Wales,[164] these owners are not necessarily absentee, just as their interests in land may not be contrary to Welsh policy goals.

Mineral and subsurface rights present a nuanced issue. In Wales, as in the rest of the UK, the ownership of underground resources can be split from surface land ownership.[165] By law, certain mineral rights are reserved to the state or Crown, notably gold and silver (the "Mines Royal"), and oil, gas, and coal.[166] Other minerals generally belong to the surface owner unless they've been separately sold or leased. Over centuries of mining in Wales, there have been numerous instances of mineral rights being held in separate ownership.

Planning system and regulatory context

Planning in Wales is devolved and operates through a hierarchy of national, regional, and local plans. The Welsh Government's national planning policy framework centres on Planning Policy Wales, which emphasises well-being and sustainable development.[167] At the strategic level, *Future Wales: The National Plan 2040* sets the overarching direction of spatial policy and influences development plans.[168]

Like the rest of the UK, Wales has a **discretionary planning system**, and **development rights are not conferred automatically by land ownership**. The 22 local authorities and 3 national park authorities have jurisdiction over planning in their areas. Local Development Plans (LDPs) are the core statutory instruments used to allocate land for development, set locally specific policies, and establish the framework for planning consent. Development plans guide decision-making but unlike rule-based zoning systems, **planning permission is granted through administrative judgment and proposals are assessed individually** against the LDP and other material considerations. As a result, even land that is allocated for development may not receive planning permission or may do so with specific conditions or following revisions or delays. This introduces an **intrinsic degree of uncertainty into development outcomes**.

In addition to the conservation designations and flood risk areas noted earlier in this subsection, Wales has a significant **historic environment framework**. This influences

[163] Welsh Affairs Committee (2022). The economic and cultural impacts of trade and environmental policy on family farms in Wales. https://publications.parliament.uk/pa/cm5802/cmselect/cmwelaf/607/report.html.
[164] HM Land Registry (n.d.) Use land and property data. https://use-land-property-data.service.gov.uk/.
[165] Lashmore, R. (2026). What developers need to know about mineral rights in the UK. https://ww3.rics.org/uk/en/journals/land-journal/mineral-rights-uk.html.
[166] British Geological Survey (2026). UK mineral ownership. https://www.bgs.ac.uk/mineralsuk/planning/uk-mineral-ownership/.
[167] Welsh Government (2024). Planning Policy Wales. https://www.gov.wales/planning-policy-wales.
[168] Welsh Government (2021). Future Wales: The national plan 2040. https://www.gov.wales/future-wales-national-plan-2040.

what can be altered or developed, especially in town centres and historic rural landscapes. The Historic Environment (Wales) Act 2023 provides a consolidated legislative framework for the protection and management of historic monuments and buildings, conservation areas, and other elements of the historic environment. More than 30,000 buildings across Wales are listed, requiring planning consent for works, and there are over 4,200 protected monuments and 400 historic parks and gardens.[169]

In practice, the mix of local planning and designated areas means that Wales has strong **place-based variation in planning constraints**. These characteristics mean that land supply for development is not simply a function of market demand, but mediated through multi-level plans, designated areas and buildings, environmental regulation, and risk management policy.

Welsh language geography

Cultural geography is unique and important in Wales. The Welsh language is unevenly distributed across Wales and remains strongly shaped by both historic settlement patterns and socio-economic conditions. In Census 2021, 17.8% of usual residents aged three years and over in Wales reported being able to speak Welsh.[170] There is substantial **variation between areas**. For example, Gwynedd and the Isle of Anglesey have the highest proportions of Welsh speakers, at 64.4% and 55.8% respectively.[171]

Welsh speakers are disproportionately represented in **land-based and place-bound economic sectors**.[172] In parts of west, mid, and north Wales where the agricultural sector continues to provide significant local employment, over 90% of the agricultural workforce have been reported to speak Welsh.[173] According to the Commission for Welsh-speaking Communities, the viability of Welsh in some rural areas may depend more on agricultural networks and land-use patterns than in population shares alone.[174]

While Welsh is a national language with legal status across the country, its everyday use as a *community* language is most resilient in areas where Welsh speakers form a substantial proportion of the local population. This is more common in rural villages and small towns, where local services and social infrastructure help sustain everyday use, rather than larger centres.[175] Consequently, **housing supply and service**

[169] LawWales (2025). Historic Environment (Wales) Act 2023. https://law.gov.wales/historic-environment-wales-act-2023.
[170] Welsh Government (2022). Welsh language in Wales (Census 2021). https://www.gov.wales/welsh-language-wales-census-2021-html.
[171] Ibid.
[172] Commission for Welsh-speaking communities (2024). Empowering communities, strengthening the Welsh language. https://www.gov.wales/empowering-communities-strengthening-welsh-language-report.
[173] Welsh Language Commissioner (2021). The position of the Welsh language 2016-2020. https://www.welshlanguagecommissioner.wales/policy-and-research/the-position-of-the-welsh-language/5-year-report.
[174] Commission for Welsh-speaking communities (2024). Empowering communities, strengthening the Welsh language. https://www.gov.wales/empowering-communities-strengthening-welsh-language-report.
[175] Ibid.

provision are key issues for Welsh language vitality in these areas. Housing markets represent a longstanding point of tension in Welsh-speaking areas, especially in rural and coastal locations subject to in-migration and amenity pressures.[176] The Commission for Welsh-speaking Communities has identified the planning system as central to the sustainability of Welsh-speaking communities, given its influence on housing supply, land allocation, settlement expansion, and the management of development pressures.[177] The Commission has further advocated for recognising the spatial distribution of Welsh speakers within planning frameworks, alongside environmental and economic considerations.

5.2. Implications for Welsh land use and geographies

The preceding discussion has shown that Wales is characterised by a shallow urban hierarchy, extensive rural land use, uneven market demand, and strong planning and environmental constraints. This translates into land values that are inherently uneven across the country, and development pathways that are influenced by a combination of local conditions and regulatory frameworks. To date, the empirical evidence suggests that LVT's effects are strongest in high-demand contexts where development is already viable and weakest where markets are thin or land use is highly constrained. This subsection reflects on how the Welsh context is likely to condition the effects and limitations of an LVT in practice.

5.2.1. Geographical diversity and spatial inequalities

The most consistent findings from the evidence review relate to LVT's ability to support more **efficient land use in high-demand urban centres**, where under-used land sits in valuable locations and opportunity costs are high. In principle, this finding could be relevant to parts of Cardiff and for some other town centres in Wales where there is both valuable land and sufficient market demand. However, the shallow urban hierarchy in Wales means that LVT's strongest empirically demonstrated effects would **likely be concentrated in a small proportion of Welsh land and population**. To date, there is little substantive evidence on how (or whether) an LVT would influence land use across diverse Welsh geographies. This leaves open questions about how outcomes would vary under a nationally uniform LVT and the extent to which spatial differences could be expected.

Similarly, land values are inherently spatially uneven. In Wales, higher-value locations will include central Cardiff; affluent neighbourhoods like Mumbles, Lisvane, and Cyncoed; and desirable rural and coastal landscapes in areas such as Anglesey, Pembrokeshire, and the Vale of Glamorgan. Some larger landholdings could also

[176] Ibid.
[177] Ibid.

attract higher liabilities under an LVT. While international modelling studies do demonstrate the potential for LVT to **shift the tax burden** towards areas of concentrated wealth, it is also evident that this requires **some form of spatial redistribution**. Without redistributive mechanisms, the revenue raised from an LVT in Wales would be expected to reflect pre-existing spatial inequalities.

At the same time, large parts of Wales are characterised by **low or weakly growing land values**, reflecting limited market demand and structural economic challenges as well as regulatory constraints on development. In these areas, an LVT would be expected to both generate **relatively low revenue** and exert **minimal influence on land-use behaviour**. This could mean that an LVT in Wales would be symbolically national in scope but substantively urban and amenity focused in its effects.

In addition, land values are not equally stable across all locales. In Wales, local economies reliant on seasonal tourism or manufacturing industries may experience more fluctuations in land value than those where established anchor institutions (like universities, hospitals, and other large local employers) ensure more consistent market demand. Climate-related flood risk adds the potential for further volatility in future land values. The spatial implication is that **LVT revenue may be more predictable in some places than others**.

The **potential for future land value uplift** is similarly uneven across Wales. Spatially, land values increase due to proximity effects, and evidence indicates that uplift tends to be associated with specific amenities and desirable locations. In Wales, these tend to take the form of localised amenity 'micro markets' around infrastructures such as the A55 corridor and South Wales Metro development, or in-migration and tourism 'hotspots' in some coastal areas and national park fringes. As such, the 'unearned gains' that an LVT might capture would be expected to be concentrated in **relatively small geographic pockets** rather than spread across wider regions. Because some of these areas can experience land value inflation without corresponding increases in local economic strength or development viability, equity issues may arise in terms of who bears the burden of tax rises driven by external factors.

Spatial inequalities in Wales are pronounced, and because LVT is levied on land value and not income or wealth directly, both the **liabilities for taxpayers and revenue raised would reflect these pre-existing spatial patterns**. While LVT may support more progressive outcomes *within* particular high-value locations, it does not automatically address inequalities *between* places. Without careful design and integration into wider systems of redistribution, there is a risk that an LVT for Wales would reinforce existing spatial inequalities rather than mitigate them.

5.2.2. Relationship between land value and income

The empirical evidence indicates that LVT can produce more progressive outcomes under certain conditions. Modelling studies show that higher-value parcels tend to bear

higher liabilities under a revenue-neutral LVT, while lower-value residential properties are more likely to receive relative reductions. However, these findings **depend on a strong correlation between land value and local income**. For Wales, this implies that LVT could be locally progressive in areas where higher incomes and higher land values broadly align, such as parts of Cardiff and Monmouthshire.

However, **where the relationship between land value and income weakens**, progressive outcomes become more limited, and questions of fairness potentially arise. This could occur in some parts of Wales. For example, land values in desirable coastal and rural amenity areas are influenced by external demand, in-migration, second homes, and short-term letting rather than by local earning capacity. In such locations, high land values may not reflect local incomes, and an LVT could increase liabilities for long-standing residents, with potential consequences for housing affordability. This distinction highlights that progressivity in tax design does not necessarily equate to fairness in practice.

This issue can also be considered through the lens of **ability to pay**. Land value reflects cumulative processes, including historic development patterns and past public investment, whereas income reflects current earning capacity. Wales's ageing population makes this temporal mismatch particularly relevant. Retired homeowners, as well as households with place-bound livelihoods, may hold valuable land or property assets while having limited or fixed incomes. The liquidity problem – also described as the issue of "asset rich, cash poor" taxpayers – is often raised regarding non-income-based taxes. **Relief mechanisms**, such as deferrals or exemptions, can be designed to mitigate hardship.[178] However, it is important to recognise that **relief measures introduce trade-offs**, including reduced efficiency and increased administrative complexity, and can themselves induce behaviour change. For example, reliefs that enable homeowners to remain in larger properties could also create disincentives for property sale that limit the local availability of suitable properties for younger families.

The **relationship between land value and income also varies for businesses**, yet this dimension is notably underexamined in the empirical literature. LVT modelling **studies often assume that shifting tax liability from residential to commercial land is inherently progressive**, but this assumption obscures significant heterogeneity among businesses. Commercial land encompasses a wide range of economic activities, from land-intensive to low footprint firms, place-bound to highly mobile operations, and sectors with very different profit margins. In Wales's tourism-dependent coastal and rural areas, for example, small hospitality and service businesses operate on low or seasonal profit margins but land values can be elevated by visitor pressure. Similar concerns could potentially apply to local manufacturing businesses located in areas where transport improvements or regeneration initiatives increase land values ahead of increases in productive capacity or profitability. In such

[178] Loutzenhiser, G. & E. Mann (2021). Liquidity issues: Solutions for the asset rich, cash poor. https://onlinelibrary.wiley.com/doi/full/10.1111/1475-5890.12281.

cases, higher tax liabilities could place disproportionate pressure on businesses with limited ability to absorb additional costs.

Tenure patterns further shape how divergences between land value and income are experienced. While Wales's relatively high levels of residential owner occupation reduce some concerns about shifting tax incidence between landlords and tenants, areas with high proportions of second homes, short-term lets, or investor-owned properties present distinctive challenges. In these contexts, **land values may be driven by investment decisions and demand originating outside the local economy**, yet the economic consequences of rising LVT liabilities, such as higher rents or changes in business viability, may be borne by local residents. Similar considerations apply to agricultural land, where ownership, tenancy arrangements, and income streams do not necessarily align with land values.

Evidence suggests that LVT's distributive effects depend less on the tax base in land itself than on the **strength and stability of the relationship between land value and income**. In Wales, where this relationship differs across places and groups, progressive outcomes cannot be wholly assumed. Without careful design and supporting measures, an LVT could generate outcomes that are formally progressive but socially or spatially contentious in practice.

5.2.3. Development and vacant land

As noted in Section 5.2.1, there is empirical evidence that LVT can support the development of vacant and under-used land in high-demand areas. Crucially, however, the evidence indicates that LVT operates by **reinforcing existing market incentives rather than by creating new demand for development**. Where land values are high and development viability is already strong, increasing the cost of holding under-used land can encourage owners to bring sites forward – but there is little evidence that LVT can stimulate development in the absence of underlying market demand. For much of Wales, where demand is comparatively weak, LVT is **unlikely to substitute for missing demand** or to deliver regeneration in areas experiencing persistent high street vacancy or long-term economic decline.

The urban focus of much of the LVT literature implicitly assumes conditions that do not hold in many Welsh contexts: high and sustained market demand, continuous redevelopment cycles, potential for vertical development, and scope for intensification without saturating the market. These assumptions likely apply in Cardiff, and to a lesser extent Swansea and Newport. However, many Welsh towns and smaller urban centres operate in **comparatively shallow markets** with **limited absorptive capacity**. Development in such areas tends to be episodic rather than continuous, with only a small number of sites able to be brought forward over a given period. Under these conditions, any incentive effects generated by LVT would likely be **time limited**. Once a small number of developable sites were released, additional tax pressure would be unlikely to generate further development in the absence of new demand.

It is also important to distinguish between vacant or under-used land and **speculative landholding**. The evidence suggests that LVT can influence speculative behaviour where land values are strong, tax rates are high, valuations are frequent, and enforcement is robust. But speculation proper is spatially uneven and likely to be present in only a limited number of Welsh locations. In much of Wales, vacancy and under-use are more commonly associated with weak demand, viability issues, remediation costs, or infrastructure and planning constraints rather than deliberate speculative withholding. A 2020 review of stalled development sites[179] for the Welsh Government found that sites become stalled for a wide range of reasons. While landowner intent was the largest single reason, accounting for 16% of stalled residential and 28% of non-residential sites by land area, this covered a variety of scenarios. Some landowners were indeed hoping to benefit from uplift in value, but others were seeking alternative uses for the site, lacked knowledge about the planning process, faced financial barriers, or had the site for sale. In such contexts, increasing holding costs through LVT would be unlikely to change landowner behaviour, because the **fundamental barriers to development lie outside the tax system**.

Even in locations where speculation is potentially present, behavioural change would be slight. Evidence indicates that using LVT to create disincentive effects requires a **political appetite for higher tax rates**. In a devolved context, differential tax rates can have **implications for residential and capital mobility**. Moreover, how LVT liabilities are calculated would need to be carefully designed as applying higher rates to *all* land to penalise speculation on *some* land could introduce new inequities.

These differences in Wales matter for what LVT can and cannot reasonably be expected to achieve. While LVT may function as a **market-following mechanism** by amplifying incentives where markets are already dynamic, it is **not a market-shaping tool** capable of generating demand or overcoming structural constraints. Based on current evidence, expectations of development effects from LVT across Wales may exceed what a tax mechanism alone can plausibly deliver.

Finally, the evidence review does not provide robust empirical support for claims that LVT meaningfully reduces **distortionary effects** on investment or reinvestment in practice. Very few studies observe actual behavioural change, and qualitative research from Wales and comparable jurisdictions indicates that planning systems, access to finance, infrastructure provision, and market conditions are far more influential determinants of investment decisions than property tax design. Where modelling studies predict efficiency gains, these outcomes arise from embedded theoretical assumptions rather than observed effects. For Wales, substantive improvements in **investment behaviour** should be treated as **unproven rather than expected benefits** of LVT.

[179] Thompson, G. (2020). Research into stalled sites in Wales: Final report. https://www.gov.wales/research-stalled-sites-wales.

5.2.4. Temporal dynamics

Some of the claims made in favour of LVT are implicitly long run in nature, relying on assumptions about gradual adjustments in land use and behaviour. By contrast, the political, social, and fiscal impacts of introducing LVT would be felt most strongly in the short to medium term. **Transitional effects** such as liquidity pressures and valuation disputes could be predicted to dominate early outcomes, while any potential efficiency gains would emerge only over longer time horizons (if they materialise at all).

The structure of Welsh property markets further shapes temporal dynamics. As already discussed, markets are relatively thin in many areas, with low transaction volumes and limited development routes. Any **behavioural responses** in these areas are likely to be episodic or concentrated in a small number of sites, reinforcing the expectation noted above that any incentive effects would be time limited. Behavioural responses to LVT can also be expected to evolve over time. While initial responses might be aimed at mitigating exposure to higher liabilities, the durability of LVT's intended effects over time cannot be assumed.

Operating an LVT also crucially depends on **valuation cycles** and how these interact with market dynamics. Land values reflect accumulated past decisions and expectations of future change, rather than current land use alone. Even with regular revaluation, there is an inherent lag between changes in underlying economic conditions and their reflection in assessed values. In Wales, areas experiencing volatility or structural transition may be particularly exposed to misalignments between tax burdens and local economic realities. For example, climate-related risks, economic restructuring, and shifts in tourism and amenity demand will continue to influence Welsh land markets in ways that cannot be fully predicted. A tax system that closely tracks land value may **amplify volatility**, raising questions about revenue stability and the distribution of risk between taxpayers and the state.

5.3. Implications for planning in Wales

The modest effects evidence predicts for LVT on development are likely to depend on **complementary planning conditions**. In Wales's discretionary planning system, where development rights are not conferred by ownership, there are particular risks that the outcomes seen in other contexts may be limited in practice. This subsection considers these implications.

5.3.1. Planning permissiveness and capacity issues

A consistent observation in the empirical literature is that LVT's **effects on land use only materialise where land *can*, in practice, be developed**. In jurisdictions where development rights are automatic or where planning systems are highly permissive, incentives for development are matched with a smoother path to bringing a site

forward. But incentivising development can achieve little in practice where development is constrained by planning allocation, regulatory requirements, infrastructure capacity, or lengthy approval processes.

Under Wales's current system, increasing the tax burden on land – even in alignment with the Local Development Plan – would be immaterial to whether development receives approval. With large areas of Wales further subject to environmental, landscape, heritage, and flood-risk constraints, the supply of developable land is inherently limited and uneven across the country. In this context, LVT **cannot unlock development where planning permission is not forthcoming**. At most, an LVT for Wales could reinforce development on sites that are *already* approved and viable. As this implies, without complementary and likely significant changes to the planning system, effects would be **highly localised and contingent**.

Beyond planning permissiveness, **local authority capacity** plays a key role in shaping how development pressure is managed. Planning capacity in Wales varies between authorities. Reports by both Audit Wales[180] and RTPI Cymru[181] note stretched and **variable performance by planning authorities in Wales**, driven by declining budgets, recruitment issues, skills deficits, and differing levels of expertise. This has direct **impacts on both the number of applications decided and the timeliness of decision-making**. These issues matter because even where land is allocated and market demand exists, development outcomes depend on the ability to planning authorities to effectively process applications. Paradoxically, were an LVT to successfully incentivise development, this could place existing planning systems under further strain and **risk increasing delays rather than accelerating delivery**. Planning delays could moreover increase the risk of tax liabilities being disputed.

5.3.2. Alignment with planning objectives

Many efficiency-based arguments for LVT **assume that increased development and intensification are desirable outcomes**. However, Welsh planning policy pursues a broader set of normative goals, not least in accordance with the Well-being of Future Generations Act. *Planning Policy Wales*[182] and *Future Wales: The National Plan 2040*[183] emphasise balanced development, community sustainability, and long-term environmental resilience rather than growth at any cost.

The mixed objectives in Welsh planning policy do not necessarily sit easily with a tax mechanism designed to increase the opportunity cost of holding land in high-value

[180] Wales Audit Office (2019). The effectiveness of Local Planning Authorities in Wales. Available at: https://www.audit.wales/data-tools/effectiveness-local-planning-authorities-wales. Accessed 17/1/26.
[181] Harris, N. (2023). Building capacity through collaboration and change. RTPI Cymru. Available at: https://www.rtpi.org.uk/find-my-rtpi/rtpi-nations/rtpi-cymru/policy-and-research/policy-publications/building-capacity-through-collaboration-and-change/. Accessed 17/1/26.
[182] Welsh Government (2024). Planning Policy Wales. https://www.gov.wales/planning-policy-wales.
[183] Welsh Government (2021). Future Wales: The National Plan 2040. https://www.gov.wales/future-wales-national-plan-2040.

locations. In some contexts, **encouraging development through the tax system may conflict with local or national planning priorities**, particularly where high land values reflect amenity or scarcity. Where planning systems are intentionally restrictive to achieve environmental or social objectives, an LVT that pushed against those constraints would be neither effective nor coherent policy. This highlights the importance of considering how an LVT would interact with Welsh planning objectives, rather than assuming natural complementarity.

While links to environmental sustainability are made in the LVT literature, to date these have largely focused on encouraging urban densification to **reduce pressure on greenfield land**. This does track with current land use priorities in Wales. However, the areas in Wales where densification is both feasible and locally acceptable are limited to larger urban centres.

5.3.3. Relationship to infrastructure planning and finance

The evidence review found no robust demonstration that a feedback loop between capturing land value uplift generated by public investment and thus incentivising further investment operates in practice. In Wales, there are additional institutional reasons to be cautious about such claims because i**nfrastructure planning and funding responsibilities are often separated from local tax bases**. With, for example, major transport investments funded by the Welsh Government, the link between strategic infrastructure and land value captured through a local tax would be indirect. Moreover, because land value uplift from infrastructure tends to be very localised, expecting parcel-level taxation to generate sufficient revenue to meaningfully influence capital planning decisions is likely to be unrealistic. The implication is not that LVT could not contribute to local government finance, but that its **role in infrastructure planning should not be overstated**.

Using LVT as a mechanism to incentivise public investment further raises **significant equity concerns** in the Welsh context, as it creates the risk of **planning infrastructure to maximise tax revenue rather than to deliver according to population need**. Given that land values are most likely to rise in prosperous, high-demand locations, there would be a particular risk of disincentivising investment in the rural or socio-economically struggling areas where it is often needed the most.

5.4. Implications for the Welsh tax system

Findings from the evidence review emphasise that outcomes commonly attributed to LVT depend less on the tax base in land value than on tax design and valuation practice. This subsection considers the implications of introducing an LVT in Wales as a tax system reform rather than as a land use or planning instrument.

5.4.1. Valuation and administrative capacities

The evidence indicates that LVT's **ability to capture land value depends on the strength of the valuation system**. In practice, infrequent or insufficiently accurate valuations limit the share of land value uplift that can be captured. This highlights a key implementation challenge for Wales. Developing a land valuation system that could effectively identify incremental land value gains would require **investment in data infrastructure and the capacity to run regular revaluations**. Without these foundations, Wales would risk reproducing the patterns seen in other jurisdictions, in which assessed liabilities lag behind market changes. Moreover, much of the LVT modelling literature is urban-focussed and assumes active markets with **sufficient transaction data to support mass appraisal**. Areas where this condition holds are limited in Wales, increasing the risk of a valuation system that performs unevenly across the country. Whether defensible valuations can be delivered at a national scale remains an open question.

Wales does not currently operate a valuation system designed to support taxing unimproved land value. Existing arrangements for Council Tax and NDR rely on different valuation approaches, and **significant change would be needed to isolate land value at scale** and to an appropriate degree of consistency and accuracy. Establishing an LVT for Wales would therefore require new data infrastructure, methodological definition, professional development, and institutional capacity alongside primary and secondary legislation. Unfortunately, while studies are clear that valuation matters, they provide little guidance on the technical and methodological characteristics of such a system and the minimum viable requirements.

Operational feasibility is a further constraint. Implementing an LVT would require substantial administrative investment, either through the Welsh Government centrally or enhanced capacity in local authorities' revenues and benefits teams. In addition to the valuation functions noted above, billing, enforcement, and dispute resolution functions would all need to be expanded or reconfigured.

Public trust in valuations is also critical. Upwards revaluations can already generate appeals, and it is likely that introducing a new tax would bring added contention. In Wales, increased valuation disputes, if not well managed, would place pressure on the Valuation Tribunal for Wales. Legal risks may also be increased if valuation methodologies produce systematically different outcomes.

5.4.2. Tax reform and devolution

Introducing an LVT would represent a significant reform within Wales's devolved tax system. Attempts to introduce a Vacant Land Tax at national level have already stalled during negotiations with the UK Government. It would seemingly be most appropriate for an LVT to be introduced as a local property tax, over which the Welsh Government has more legislative competence. Since LVT's influence on development or capturing

uplift would be expected to function at highly localised scales, however, whether LVT should be uniformly levied across Wales requires further consideration.

It would be crucial to effectively and coherently integrate an LVT with existing taxes in Wales, particularly Council Tax, NDR, and LTT. Since overlapping land and property taxes can increase the complexity for taxpayers, careful coordination would be required. Both **Council Tax and NDR** already incorporate land value to some extent, although they do not isolate it during valuation. Were an LVT to be introduced alongside these existing taxes, it would be necessary to either decouple land value from them or reduce liabilities to mitigate perceptions of unfair duplication. **LTT** also warrants consideration because it is levied at the point of transaction, whereas LVT is typically promoted as an annual tax. Insofar as an LVT could potentially alter incentives to hold or transact land, how behaviour and revenue shift between the two taxes would need to be investigated.

Tax reform also involves **transitional risks**. Revaluations, shifts in liability between taxpayers, windfall losses or gains, tax capitalisation, and the introduction of relief or transitional support mechanisms can influence both short- and longer-term outcomes. Experience from other reforms suggests that transitional reliefs, while politically expedient, can lock in inequities and dilute policy intent.

Evidence suggests that some of the behavioural effects associated with LVT, particularly discouraging speculative landholding or incentivising the sale or development of vacant land, require relatively high effective tax rates. In a devolved context, higher tax rates could raise concerns about **residential and capital mobility**, particularly if other UK nations operate different property tax regimes. The potential impacts of this would need to be assessed. There is an additional risk that differential rates within Wales could create internal distortions.

5.4.3. Incidence, distribution, and exemptions

Tax incidence concerns who ultimately bears the burden of a tax. LVT is usually advocated as levied on landowners. Empirical evidence on if or how an LVT is passed through to tenants or consumers in rents or prices is notably lacking. In theory, the fixed supply of land is expected to limit pass-through, but **outcomes in practice are likely to depend on market conditions and tenure structures**. In Wales, incidence questions are most salient for private rented housing, commercial leases, and agricultural tenancies. Because tax incidence in turn influences distributive outcomes, it is important to recognise that there is still uncertainty on this point.

Progressivity also heavily depends on **implementation choices**. Rate design, banding or thresholds, exemptions, and the frequency and accuracy of revaluation can all shape distributional outcomes more strongly than the land value base itself. This means that a progressive LVT for Wales would **depend on deliberate policy design**.

Introducing LVT as a local tax raises further questions about **distribution** since land values are unequally distributed across Wales. An LVT would hence produce **significant variation in revenue capacity among local authorities** without accompanying **distributive or equalisation measures**. Similarly, some authorities would experience relatively stable or rising land values, while others could face greater volatility. This raises further questions about how LVT revenues would be integrated into the wider local government finance system. A system that allowed authorities to retain revenue would likely magnify spatial inequalities, replicating existing critiques of Council Tax.

Decisions on **exemptions** and **how to treat land not currently within the Council Tax and NDR bases** would also have implications for feasibility and political acceptability. Agricultural land, common land, public landholdings, and conservation designations in particular raise questions about both liability and policy intent. In Wales, agricultural land is extensive and economically marginal in many areas, and farming policy is politically sensitive. Bringing agricultural land into an LVT would require careful consideration of income capacity and tenancy arrangements. Well-designed exemptions can mitigate hardship and support specific policy objectives. However, there are trade-offs since exemptions narrow the tax base, potentially influence behaviour, and can introduce new inequalities between taxpayers.

6. Implications for policy design and next steps

This report has examined the key claims made for LVT and assessed the extent to which these claims are supported by empirical evidence, with particular attention to the Welsh context. This final section draws out what the available evidence implies for policy design and next steps in Wales. A central finding from the evidence review is that many of the outcomes commonly attributed to LVT are contingent, localised, and depend on tax design choices. This finding has important implications for how LVT should be framed in policy debates in Wales, and for the expectations attached to any potential reform.

6.1. Clarifying the purpose of reform

Any consideration of an LVT for Wales must begin with clarity about its intended purpose. The empirical evidence reviewed in this report **does not support treating LVT as a policy instrument capable of delivering multiple transformative outcomes simultaneously**. Claims that LVT can meaningfully influence development patterns and incentivise public investment are theoretically compelling but not robustly substantiated by empirical evidence to date. In particular, the literature does not demonstrate that LVT leads to substantive reductions in socio-economic inequality because most studies focus on short-term changes in tax liability rather than broader welfare outcomes.

In Wales, the principal drivers of inequality – such as labour market restructuring, uneven economic opportunities, demographic change, and longstanding spatial disparities – lie largely outside the scope of property taxation. Framing LVT as a solution to these structural challenges **risks misaligning policy tools with policy objectives** and undermining the credibility of reform.

6.1.1. What the evidence supports

Where empirical evidence for LVT outcomes is strongest, it points to more limited and context-specific effects. *Under certain conditions*, LVT may **reinforce incentives** for the development of under-used land in high-demand locations and may **shift tax burdens towards higher-value land**, producing outcomes that are formally progressive within particular places. However, these effects are **neither automatic nor generalisable** across diverse Welsh contexts.

A consistent finding from the evidence review is that LVT's **behavioural effects are conditional**. Where changes in land use or development behaviour occur, these typically involve high-demand urban contexts where development was already viable. In much of Wales, these conditions do not hold. Many areas outside major urban centres are characterised by weak or intermittent demand and limited capacity to absorb new development. In these contexts, an LVT **cannot be expected to overcome barriers to development viability that lie outside the tax system**, such as market size and infrastructure constraints. At most, an LVT may reinforce incentives on a small number of already viable sites, producing localised and time-limited effects.

6.1.2. A complementary policy role?

Overall, the evidence suggests that LVT is best understood as a fiscal option with modest, localised, and conditional effects rather than a primary lever for delivering broad policy goals. From this perspective, the key policy question is not whether LVT is theoretically attractive, but **whether it could complement existing fiscal processes and policy tools in a proportionate way**.

An LVT will not operate effectively if treated as a stand-alone instrument, although it could be targeted. Tangible effects are more likely to arise where LVT is **coherently embedded within existing policy frameworks**, notably including the planning system, valuation processes, and a redistributive local government finance policy.

6.2. Design choices

Decisions about **how an LVT is designed will matter more than the tax base in land** of itself for shaping outcomes. This is particularly true for **realising distributive goals**, given that land values are inherently spatially uneven and, in Wales, reflect long-standing spatial patterns.

6.2.1. Revenue allocation and spatial redistribution

The empirical evidence does show that LVT can shift tax burdens towards higher-value areas. However, since land values in Wales differ between local authorities, a **locally retained LVT would have very different revenue generation capacities** with limited returns for those authorities most in need. Without some form of redistribution or equalisation, an LVT as a purely local revenue source would likely replicate existing spatial inequalities in Wales rather than mitigate them.

If equity across Wales is a policy objective, an LVT would need to be **embedded within a nationally managed redistributive framework**, either similar to current arrangements for NDR or explicitly reflected in the annual settlement. These choices are likely to be central to how an LVT is perceived in terms of fairness and political acceptability.

6.2.2. Progressivity and reliefs

Insofar as LVT shifts tax burdens to higher-value areas, evidence indicates that this is **progressive only where a strong relationship between land value and income holds**. The relationship between land value and income will vary in some areas of Wales, particularly where land values are driven by external demand rather than by local earning capacity. A granular impact assessment will be needed to identify these areas and assess the risk of increased liabilities for long-standing residents or place-bound businesses.

The balance between assets and incomes also has implications for progressivity. **Relief mechanisms** for “asset rich, cash poor” households can mitigate hardship, but they **introduce trade-offs**, including administrative complexity and influences on behaviour. The policy objectives of an LVT will need to be carefully weighed alongside both the intent and the potential consequences of any reliefs. If, for example, an LVT is intended to increase the market supply of housing, relief mechanisms that influence housing choices must be traded off against this goal.

Tax incidence should also be carefully considered. LVT is typically discussed as a tax falling on the landowner, in contrast to Council Tax and NDR, which fall on the resident or business (and can be a tenant). While theory suggests that the fixed supply of land constrains the pass-through of an LVT from landowners to tenants, evidence on what happens in practice remains limited. Progressive outcomes under an LVT are likely to depend not only on who is legally liable, but on **how costs are absorbed or passed on within specific market and tenure contexts**. In Wales, incidence questions are particularly salient for private rented housing, commercial leases, and potentially agricultural tenancies. It is important to **acknowledge that there are significant uncertainties about if and how these groups will be affected**, rather than assuming that liabilities will fall neatly on those with the greatest capacity to pay.

6.3. Feasibility and risks

Introducing an LVT in Wales would entail a set of predictable feasibility challenges and risks that extend beyond questions of policy intent or theoretical appeal.

6.3.1. Valuation and cost effectiveness

Without credible valuation and regular revaluation, many of the intended advantages of LVT would not emerge, while political and legal risks would increase. Establishing and maintaining an effective valuation system capable of isolating land value at scale, conducting regular revaluations, and managing appeals would require **substantial investment in data infrastructure, professional expertise, and institutional capacity**.

Cost effectiveness is therefore a significant consideration. Given the modest scope of outcomes and uncertain behavioural effects identified in the empirical evidence, policymakers would need to carefully **weigh the administrative and operational costs of an LVT against the fiscal and distributional benefits** that could realistically be achieved.

6.3.2. Transitional reliefs and volatility risks

Transitional arrangements are often used to manage the impacts arising from revaluation, particularly where taxpayers face significantly increased liabilities. These can **ease political acceptability and reduce short-term hardship**, but where reliefs weaken the link between land value and liability, they also risk diluting policy intent, increasing complexity, and potentially locking in new inequities. How transitional arrangements for an LVT would be designed in Wales requires careful thought and would need to include managed interactions between LVT and existing Council Tax, NDR, and LTT.

The regular revaluations required for an LVT could also introduce **volatility risks**. Land values change over time in response to market dynamics, infrastructure investment, planning permissions, and other local factors such as environmental risk. In some areas, this could mean that tax liabilities fluctuate in ways that are difficult for some households and businesses to absorb, particularly in areas exposed to amenity-driven demand or industrial change. In the absence of comprehensive longitudinal land valuation data for Wales, it is difficult to understand which areas have experienced volatility in the past, and hence to anticipate where volatility could occur in the future and how to mitigate this. As Council Tax and NDR move on to more frequent revaluation cycles, there is an opportunity to improve understanding here.

6.3.3. Political feasibility and contention

The political feasibility of an LVT in Wales remains uncertain. Spatially uneven impacts are not an accidental by-product of LVT but an **inherent consequence of how land values are distributed**. Areas facing higher or newly introduced liabilities would be most likely to contest reform, particularly if tax increases are not matched by visible local benefits. Conversely, areas experiencing few changes or impacts may question the rationale for reform altogether.

Clearly, opposition to LVT would likely be differentiated by areas and sectors. Managing such contention would require carefully **sequencing reforms**, **communicating the purpose of reform effectively**, and **building trust in the credibility and fairness of valuation**. Without these ‘soft’ enablers, there is a risk that implementation challenges and political resistance would rapidly outweigh the limited and localised ‘hard’ benefits identified in the evidence.

6.4. Pathways forward

The empirical evidence reviewed in this report does not rule out LVT as a potential component of future Welsh tax reform. However, it does place **limits on what can reasonably be expected of an LVT in the Welsh context**. Recognising these limits is essential for debate to move beyond theoretical principle and towards informed decision-making that will work in and for Wales.

Rather than framing the choice in binary terms – LVT or no LVT – the findings presented in this paper point to the value of a more incremental, and potentially more targeted, approach. Given the conditional and localised nature of the outcomes associated with LVT, the appropriate policy question is not whether LVT should be adopted in principle, but **under what conditions, in which forms, and at what scale** an LVT could contribute meaningfully to specific Welsh objectives.

A proportionate pathway forward would involve **testing key decision points** before any commitment to larger-scale reform. Priorities include:

1. **Valuation feasibility and governance**
   Further work is needed to explore appropriate methodologies for valuing unimproved land value in Wales and to test whether these can be applied credibly and consistently within diverse geographical and market contexts. This includes considering whether valuation functions would be best managed at a Welsh or UK level, and how any new system would interact with planned Council Tax and NDR revaluation cycles.
2. **Spatial and distributional impacts**
   More detailed analysis of how land values, incomes, and tenure structures interact in different Welsh geographies would be essential for understanding where progressive outcomes are plausible and where liabilities may outpace local economic capacity. This includes examining impacts for rural and coastal locations, Welsh-speaking communities, and place-bound businesses.
3. **Incidence effects**
   There remains limited empirical evidence on who ultimately bears the burden of an LVT in practice. Further work would be required to explore incidence under Welsh tenure arrangements, particularly for private rental housing, commercial leases, and agricultural tenancies.
4. **Targeted and pilot approaches**
   Given the uneven distribution of land values and development pressures in Wales, investigation of more targeted or pilot approaches – including reforms to existing value capture mechanisms – may offer a lower-risk means of testing assumptions than introducing an LVT at national scale.

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