



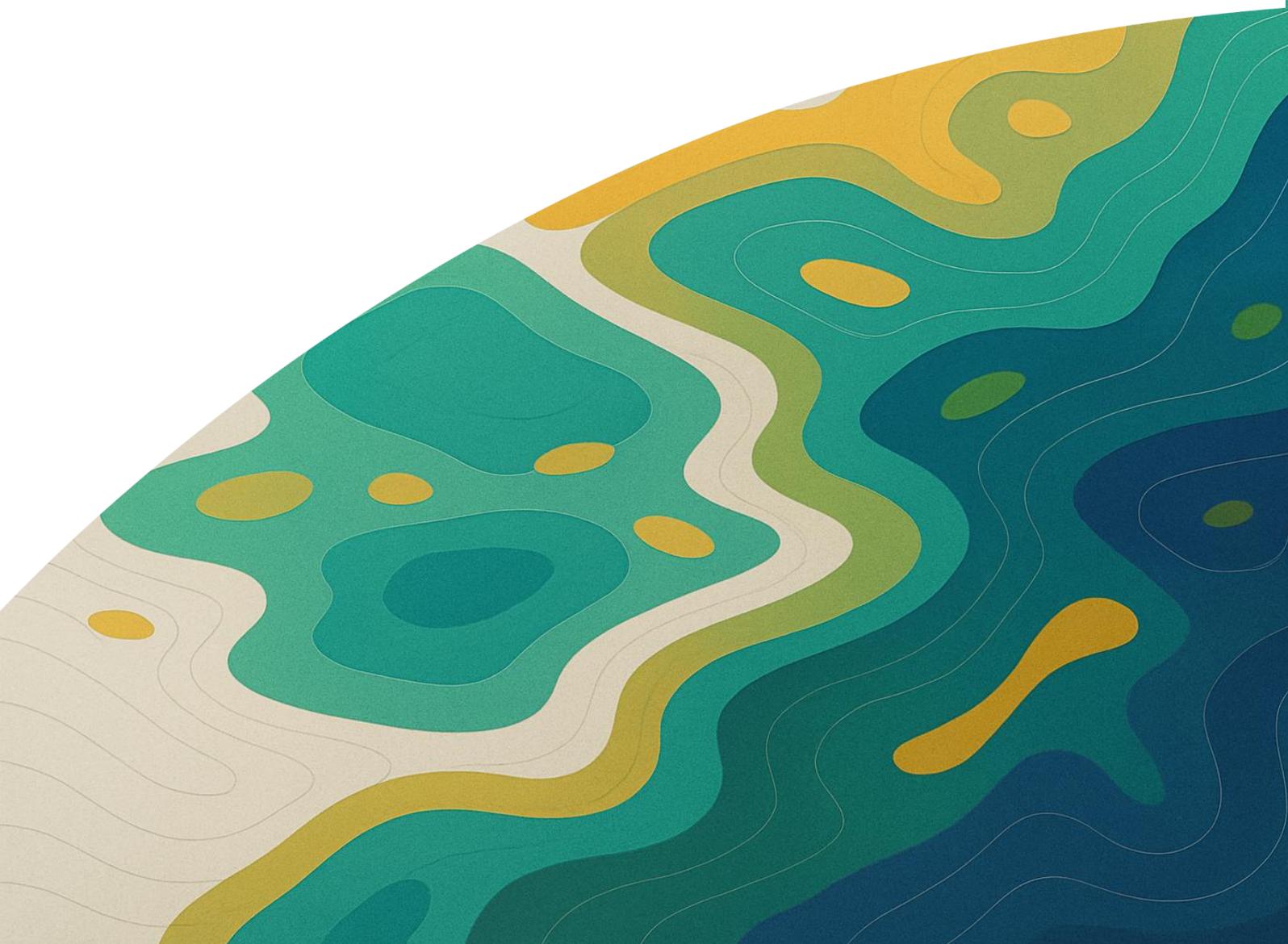
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A Land Value Tax for Wales? Claims and contexts

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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.



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