

Taxing development

The government wants to speed more housebuilding, but it also wants to tax development. It proposes a new infrastructure tax to replace the existing system.

It is true the gap between land values with permission to build homes and land values for land without any building permission is huge. It is also true the wider community incurs large costs from more housebuilding. There needs to be more schools, surgeries, roads, power lines, broadband cables and the rest. All parties have accepted the idea that there should be some infrastructure levy or contribution to public sector infrastructure costs, just as securing private sector services may entail direct payments to the service providers. The government does not mention the need for compensation payments to existing homeowners, though there are clear cases where the amenity and value of their property is hit by more traffic and noise, worse views etc. Developers who want speedy progress sometimes offer compensation to reduce opposition to a scheme.

The Section 106 payments system has been a negotiation between Councils and developers. Many Councils have wanted to take the money to build more homes for rent instead of using the money to build the roads, schools and surgeries needed. The sums have expanded to try to accommodate both needs. The government has also introduced an additional Infrastructure levy.

The new levy proposed is only set out in outline. It is national with maybe a single national rate or rates. It might also have regional or local variations. It seeks to flex according to land and home prices, allowing developers to make a given margin before the levy kicks in. In falling markets the levy would fall and in rising markets it would rise. That is a sensible feature.

I would urge simplicity and suggest a per house levy to cover the obvious public sector infrastructure costs. The government wishes to increase this tax, which will make achieving more home building more difficult.

Given that many people want fewer new homes with reduced migration, what do you think would be sensible by way of a tax on new developments?