

# STATES OF JERSEY



## DEVELOPMENT LEVIES

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**Lodged au Greffe on 28th March 2023  
by Deputy R.S. Kovacs of St. Saviour  
Earliest date for debate: 18th April 2023**

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**STATES GREFFE**

## **PROPOSITION**

**THE STATES are asked to decide whether they are of opinion –**

- (a) to agree that, to further the aim of a fair tax system, a land development tax or an equivalent charging mechanism should be introduced to raise revenue for the States from any significant uplift in the value of land arising from when the land is rezoned or from when planning permission has been granted;
- (b) to request the Minister for Treasury and Resources to bring forward for approval the necessary legislation to give effect to the decision by 31st March 2024; and
- (c) to agree that that the proposals in paragraph (a) should also be designed to have the effect of capturing uplifts in the value of land arising between the date of the debate of this proposition and the coming into force of the necessary legislation and to request the Minister for Treasury and Resources, having sought appropriate advice, to take the necessary steps to achieve this objective if possible.

DEPUTY R.S. KOVACS OF ST. SAVIOUR

## **REPORT**

On numerous occasions, reference has been made within the States Assembly to the introduction of measures that raise money (tax) on property transactions, such as the uplift of land value, through a land development tax or equivalent mechanism.

The objective of this proposal is not to raise token amounts of money to fund bus shelters or plant a few trees. The objective of this proposal is to allow the States of Jersey to share in the uplift of land value created by rezoning for residential use.

From time to time, a land sale (usually a field which has been rezoned by the Planning Committee for housing) changes hands for a significant uplift in value, which reflects the new status of the land. This usually results in a well-publicised transaction and generates a significant amount of “windfall profit” for the landowner. This also adds to the costs of the eventual housing buyers, which in some instances can be first-time buyers.

Land that had a value of under £100,000 can be bought and sold for millions of pounds, within months of receiving approval for a change of use.

These conditions have existed for at least 30 years and the Government of Jersey has yet to positively intervene to profit from these increases in land value. Instead, being content to impose conditions on the type and scale of development - seeing a percentage for social rental, or first-time-buyers, or over 55's as a positive outcome regardless of land price inflation.

A recent example of this is Field J1109, located on the Grande Route de St. Jean. The previous estimate on the 6.71 vergée site was approximately £70,000 before rezoning. The Field was then bought and sold for £3.55 million.

Under my proposed new regime, 50% of these transactions would be due to the States of Jersey and would make no difference to the price of the properties developed on the site. It could even make them cheaper, as the money received by the States could be invested in an alternate way (for example through Andium Homes support schemes).

By supporting my proposal, Members will allow the public to have a share in land price uplifts. Therefore, I don't see any reason for Members to oppose this, as the benefits would also filter through to the housing created being cheaper.

## **BACKGROUND INFORMATION**

In 2011, the Minister for Treasury and Resources at the time committed to reviewing the land development tax option as part of the wider review of tax policy. This was evidenced in *Uplifts in Land Values: Land Development Tax or Equivalent Mechanism(S) (P.90/2011) – Comments (P.90/2011 – Com.)* presented by the Minister for Treasury and Resources, in response to the original proposition ([P.90/2011](#)) lodged by the former Deputy of St Mary.

*“The Minister for Treasury and Resources commits to review the land development tax option as part of the wider review of tax policy.”*

*“Work has already commenced on the development of this comprehensive fiscal framework, including establishment in 2011 of the tax policy unit. The tax policy unit is conducting a review of Jersey’s overall tax policy to ensure that it meets the needs of the Island over the medium to longer term. Property taxes, of which land development tax is just one of a number of measures, are already being looked at as part of this review.”*

Despite claims that it was “already being looked at”, nothing happened. Only convenient delay for those who became “windfall millionaires” at the public’s expense.

In October 2017, the Minister for the Environment at the time brought a proposition *Jersey Infrastructure Levy: Approval in Principle* ([P.100/2017](#)) to the States, which sought approval, in principle, for the introduction of a Jersey Infrastructure Levy.

*“THE STATES are asked to decide whether they are of opinion –*

*(a) to agree, in principle, to the introduction of an infrastructure levy in Jersey, to ensure that those who benefit from an increase in land value arising from the award of planning permission make a small contribution to offset the impact of that development on the Island community;*

*(b) to charge the Minister for the Environment to develop and bring forward, for approval, the necessary legislation to give effect to the above proposal.”*

In comparison to my proposal, these proposals were broader and intended to be applied throughout the entire planning process. However, although this proposal was considered to have its merits, it is not what I am proposing by introducing land development levies.

The accompanying Report within [P.100/2017](#) offers a timely reminder that once again policy had not received adequate attention to progress in a meaningful and productive way.

#### *“BACKGROUND*

##### *Capturing uplift in land value*

*The Assembly has consistently supported the principle of capturing a proportion of the uplift in land value, derived from planning decisions, for some form of public benefit for some time.*

*The Deputy of Grouville’s 2008 proposition (P.33/2008) sought to secure part of the uplift in land value secured from the award of planning permission to deliver social housing. The support for this was manifest in Policy H3 of the 2011 Island Plan, which required a proportion of the yield from residential development to be affordable, subject to the development of supplementary planning guidance, setting out how the policy would work in practice.*

*Although the policy was examined and approved as viable by an independent planning inspector as part of the 2011 Island Plan, the policy was withdrawn following pressure from the construction industry in the wake of the recent economic downturn. The principle of seeking to research and develop a policy mechanism to capture value from the development of land was, however, still retained and supported by the Assembly in Proposal 23 of the Revised 2011 Island Plan (July 2014) which required ‘work to be*

*undertaken to research and develop alternative policy mechanisms to capture value from the development of land’.*

*This mantle was taken up by the recent Property Tax Review, undertaken by the Treasury and Resources Department, which concluded that whilst there was no public appetite to capture sales value through the property taxation system, there was general public support to capture some of the increase in land value after planning permission has been granted.*

*The responsibility to continue to explore how to capture a proportion of the uplift in land value from the award of planning permission, fell back to the Minister for the Environment.”*

Comments:

The information presented above evidences that, although well intended, similar policy lacked positive action despite an indication from the Treasury and Exchequer Department, within a Property Tax Review that “there was general public support to capture some of the increase in land value after the planning permission has been granted”.

I believe that there are some real opportunities, which had public support, that were lost. As such, continuing to dither and delay policy will only add to previous inaction and failure.

I believe that positive and prompt action, after years of inaction, will result in known and measurable public benefit. Looking the other way, although seemingly convenient, is not an option now.

Furthermore, the [Bridging Island Plan 2022 - 2025](#) includes a section on the introduction of a Sustainable Community Fund (pages 76 to 78). Although this indicates that a small percentage (3%) would be charged, my proposal does not seek to interfere with any consequences of this Fund.

I believe my proposal stands-alone from any gains the Planning Committee are seeking to achieve from the developers.

The Report within *Uplifts in Land Values: Land Development Tax or Equivalent Mechanism(S)* ([P.90/2011](#)), contains some interesting and relevant information.

I would also refer Members to the report of the former Deputy of St Mary, which goes into a great deal of detail, and importantly sets out clearly the aim of this proposition –

*“1 This proposition is about basic fairness. When land is rezoned or receives planning permission its value increases by between 80 and 200 times. This windfall gain goes only to landowners, and only those landowners whose land is developed.*

*2 These huge gains have been going to the owners of land for years. It is government policy which has created these astronomical land values, and it is administrative decisions and political decisions, taken as part of the Planning process, which decide just who it is who, in the Deputy of Grouville’s memorable phrase, “hits the jackpot”.*

...

8 I think any right-thinking and sensible States member must see that there is something quite wrong about this. It should make us feel distinctly uneasy, when the financial rewards of getting a permit for development are so enormous and are going to the very few.

9 The situation is blatantly unfair, and cries out to be remedied. The existence of this huge capital gain is due to the policies of government. It is therefore entirely right and proper that a large percentage of the capital gain should revert to the government which created the policies which led to the uplift in value, to be used for the benefit of all the people of Jersey.”

I would further refer Members to two Reports from Oxera; [Which tax is best suited to Jersey's objectives?](#) (2005) and [Land/development-based environmental taxes](#) (2008), a reference the former Deputy of St Mary also makes in his report –

**“Scale of proposal and potential yield**

12 In Oxera 2005, page 57 we read – “Calculations by the States of Jersey estimate the overall uplift in the value of land recently reclassified from agricultural land to housing development land. Although subject to some uncertainty, the overall uplift in value amounted to around £32 million. In addition, a second phase of potential rezoning in the future is estimated to create a further uplift in value of up to £18 million.

On this basis, and given that the value of land is estimated to increase between 80-fold and 200-fold as a consequence of rezoning, there would appear to be significant scope for raising some revenues from the taxation of these gains. (Footnote: the uplift amount (80x or 200x) depends on whether the land is reclassified for building of “Category A” or “Category B” properties.)”

13 On an uplift of £50 million a modest tax of 50% would yield £25 million over a period of years – a sum not to be sniffed at. And at this rate of tax the landowners would still receive an unearned windfall of £25 million.

14 I will repeat it: this windfall is entirely due to government decisions and government policy and it is entirely appropriate that the enormous financial gain involved should come back, at least in part, to government.”

...

17 Members should note that the price of land does not “drive” the cost of housing. If it did, then it might be argued that a land tax could affect the end price of housing. On the contrary, it is the end-price which can be achieved which determines the value of the land.

18 The end-price reflects scarcity, and the willingness to pay of enough people who are in the market for buying a house. This proposition is about finding a way to distribute a vast private unearned gain to the public good.”

### Comments:

I agree with much of the content and sentiment contained in the report appended to the former Deputy of St Mary's Proposition. Therefore, I believe this proposition is well worth repetition at this time.

Sadly, many millions of pounds have gone to the few and not benefited the many by extracting real community value and measurable housing benefit. It is time we made changes to stop this from continuing.

### Cost Implications

Having looked at some of the land transactions available on the PRIDE system, it is obvious that the amounts made from an uplift in land value is significant – millions of pounds.

Based on 50% tax on uplift in value, roughly £100 million could have been “collected” from these transactions.

It would not have been difficult to find a use for such a financial gain for housing purposes. The financial gains could have been used to:

- accelerate the maintenance of Andium Housing properties that needed insulation, heating, double glazing etc.;
- offset part of the development costs for first-time buyers;
- rejuvenate the Dwelling House Loans Fund;
- add to the Housing Development Fund;

or other measures that would have benefitted the many and not the few.

However, despite previous inactivity, it is not too late to do something positive now. For Members' ease of reference, I have inserted below text from the previous Planning and Environment Committee's Proposition *Planning for Homes: Rezoning of Land for Social Rented and First-Time Buyer Homes* ([P.150/1999](#)), which evidences the amount of land that was rezoned and consequently had significant value uplifts.

*“THE STATES are asked to decide whether they are of opinion –*

*a) to rezone to use for social rented and/or first-time buyer homes and ancillary community facilities –*

- (i) from the Agricultural Priority Zone about 5.2 verges of land at Hodge Nurseries, including Field 94, two areas of ageing glasshouses on part of Fields 93 and 94 and the property known as 'L'Abri', La Grande Route de la Côte, St. Clement, as shown on Map No. 625/2;*
- (ii) from the Green Zone about 3.2 verges of land at Bagot Manor Farm, including a dilapidated glasshouse complex, Bagot Manor Road, St. Saviour, together with an area of land at the southern end of Field 812 required for access purposes, as shown on Map No. 625/3;*

(iii) from the Agricultural Priority Zone about 8.1 verges of land at Field 1078, comprising an old glasshouse nursery and the property known as 'Abilina', La Grande Route de St. Jean, Sion, St. John, as shown on Map No. 625/4;

(iv) from the Sensitive Landscape Area of the Agricultural Priority Zone about 2.7 verges of land at Field 615, La Chasse Brunet, St. Saviour, as shown on Map No. 625/6;

(v) from the Sensitive Landscape Area of the Agricultural Priority Zone about 9.5 verges of land at Fields 378 and 379, Bel Air Lane/Rue a la Dame, St. Saviour, as shown on Map No. 625/5;

b) to rezone about 36.7 verges of land at Fields 1218 and 1219, Mont a L'Abbé, St. Helier, as shown on Map No. 625/1, from the Green Zone to use for a mixed development of social rented and first-time buyer homes, self-catering tourist accommodation and community facilities (including educational uses, public open space and cemetery extensions);”

If Members are interested in viewing more of these examples, these can be found in Appendix 1 of [P.150/1999](#).

There are other examples that I'm aware of, from old documents in French available on the PRIDE system, should Members wish to investigate further. However, for the purposes and time available for this Report, I believe that the current examples are sufficient to support my proposal.

We can do little about the finances of the historic transactions highlighted above, we can, however, stop making the same mistakes again.

### **Part C**

In relation to part (c) of my proposition, I would highlight to Members that this clause is designed to avoid speculative purchases of land in the period between adoption of this proposition and the implementation of the necessary legislation to bring it into effect. Since this has been under review since the Island Plan 2011, this levy should not come as a shock to anyone selling land.

This reinforces the intent of this proposition, benefit for the Public and not solely for the individual. Notwithstanding this, the intent is not that individuals cannot gain substantial benefits from the sale of land, just that such sales are fair and appropriately valued.

### **Conclusion**

*“The uplift in land value is not owing to the landowner’s efforts in adding value to their land, but is the result of a public agency decision acting on behalf of the wider community. As a result, the decision of the public body acting on behalf of the community provides a windfall gain to the landowner.<sup>5</sup> A levy (tax) on land windfall gains can therefore be justified on grounds of fairness, as it distributes (at least potentially) the benefit of that windfall gain more widely, and can be used as a policy tool to share, with the wider society, the otherwise purely private benefits of the decision. In addition, to the extent that (further) development at any particular place*



*imposes external costs (e.g., congestion, need for additional investment in infrastructure, etc) in the immediate vicinity or across a wider area, the use of any tax or levy can be seen as (partially) compensating those who are negatively affected by the change in the use of the land.”*

*(Oxera 2008, page 3, second paragraph)*

I believe the former Deputy of St. Mary made the point quite clearly in his own conclusion to [P.90/2011](#) –

*“That is the clear objective statement of the situation. Put more bluntly, if we do nothing, then we are simply giving certain landowners a golden land-shake, which is hard if not impossible to justify.”*

Having considered this situation, I am convinced that what I am proposing is fair and reasonable.

We all know of many Islanders facing daily issues of availability and affordability of housing and incremental steps need to be made towards making the situation better for the many, not the few.

I truly believe a land development levy could be one of these helpful steps.

#### **Financial and manpower implications**

There are no direct costs to the public purse. The manpower implications arising from this proposition would principally relate to the time required for policy officers to bring forward drafting instructions and drafting time required to produce the appropriate legislation.

The benefits now and in the future could amount to many millions of pounds.