

# Can taxation rescue abandoned land?

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## What taxes should we consider?

- Inheritance taxes
- Capital Gains tax
- Transfer taxes (& all transfer costs)
- Annual property taxes
- Income tax

## Effects?

- Incentives to use land
- Removal of factors that discourage use
- Encourage the operation of the free market

## Inheritance taxes

- Do they exist in your country?
- General effect is largely neutral
- Maybe there could be an exemption of agricultural land but only if actual being used for agriculture
- Policing the exemption
- Unexpected consequences

# Capital Gains Tax

- Discouraging short –term speculation
- Simple in theory. Tax levied on the difference between acquisition price and disposal price
- Practical difficulties
- Administrative difficulties

# Transfer taxes

- Minimise costs of transfer or leasing
- Encourage the market to work
- The relevant figure is the total cost. Fees, taxes, bribes, time spent infilling in forms and paper work, travelling and attending at the official office.
- *The work of de Soto*

# Income tax

- IT exemption for income from rent from some classes of agricultural land

## Annual property taxes including land taxes

- No property tax. If the cost of holding land is nil  
Why cultivate?
- Reasons for introducing an annual property tax:  
raising revenue and in particular locally generated  
revenue. Decentralisation
- The introduction of a annual market-value based  
property tax is no small thing
- Collection from abandoned lands: difficult

# Concluding remarks

- MOST IMPORTANT that the tax regime does not make the matters worse
- The right tax regime can help to some extent
- Taxes are always unpopular and political dynamite
- Social engineering not the prime function of taxation
- Beware unplanned consequences