

Bill Pagan - EXAMPLE CONTRASTING EFFECT OF CGT/CT + LEVY ON SALE IN OPEN MARKET OR SALE TO THE LAND FUND

**FAMILY/LANDED ESTATE/
FARMER**

COMMERCIAL BUILDER

THE LAND FUND

Line

	Sale of Land for Housing	
8	Proceeds	10000000
9	Base Cost	1000000
10	Chargeable Gain (8 - 9)	9000000
11	Capital Gains Tax @ 28% on 10	2520000
12	Net in hand	7480000
13		
14		
15	Levy @ say 20% on 8	2000000
16	Total Tax/levy	4520000
17	Total in hand (8 - 16)	5480000
	Total Tax/Levy = 45.2%	

		10000000
		1000000
		9000000
	Corporation Tax @ 28% on 10	2520000
		7480000
		2000000
		4520000
		5480000

	Levy x 2 received in Cash	4000000

ALTERNATIVE

23	Transfer to Land Fund	
24	Price, say, 80% of MV	8000000
25	Payable over 8 years	
26	CGT @ 28 % on £7M (24 - 9)	1960000
27	Payable in, say, 2 years	
28	2/8 of price already received	2000000
29	Left in Hand Year 2 (28 - 26)	40000
30	Remaining 6 Years cash Tax free	6000000
31	Total in Hand (29 + 30)	6040000
32		
33	Uplift 6040000 - 5480000 (31 - 17)	560000
34	(Minus Cash Flow Disadvantage)	

		SAME
		FOR
		COMMERCIAL
		DEVELOPER
		BUT
		CASH
		FLOW
		HIT
		MAY
		BE
		TOO
		HIGH

	Actual Value (x 2)	20000000
	Price paid £16m over 8 years	16000000
	Benefit to Fund (Plus Cash Flow benefit)	4000000
	Note:	
	With interest rates low	
	less cash flow hit/benefit	