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Taxing land ownership: the ideal tax?

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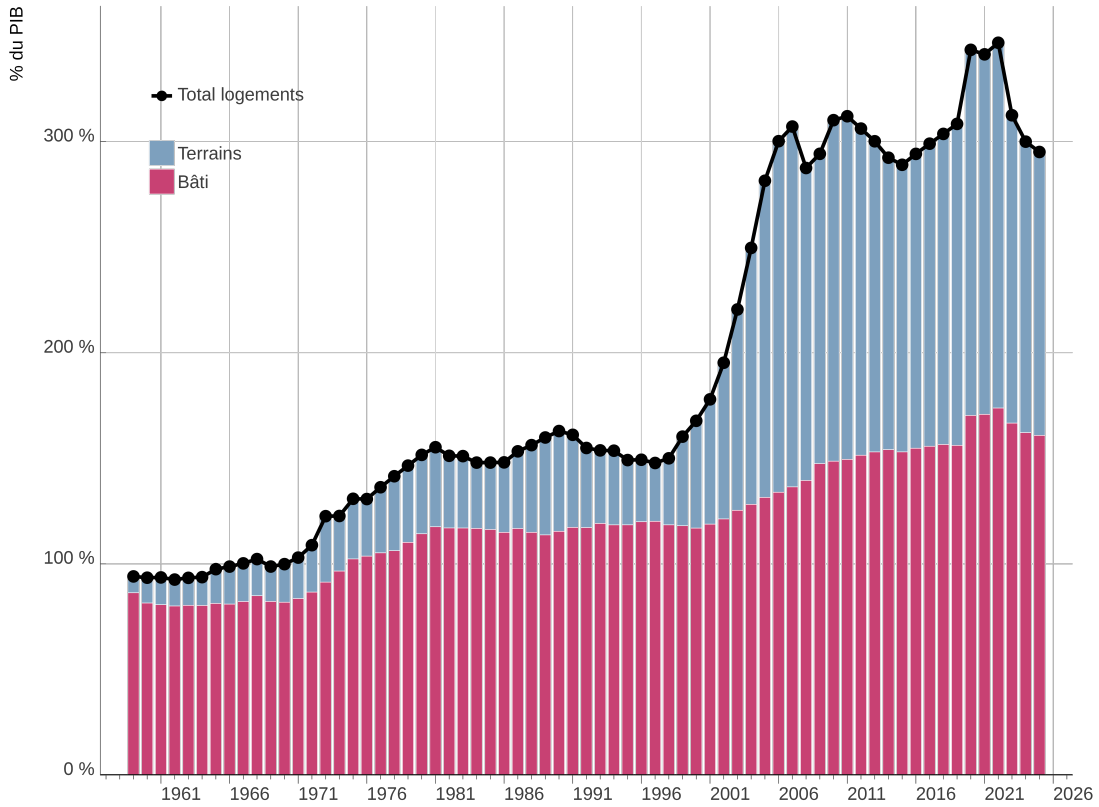
The budget has become the central political issue: the French Institute for Economics (IFE) | OFCE estimates that stabilising the debt at 2.7 points of GDP requires a fiscal adjustment of around €82 billion (Timbeau, 2026). Land, whose value has been rising for 30 years, including as a share of GDP, could be a relevant tax base. In 2024, real estate accounts for 61% of households' gross wealth and 70% of their wealth net of borrowing (Insee, 2025). The dynamics of wealth are driven by the revaluation of property prices. Yet while the debate on wealth taxation focuses on the largest fortunes and on inheritance, land remains in the shadows. Can this surge be turned into a tax base?

0.1 En % du PIB

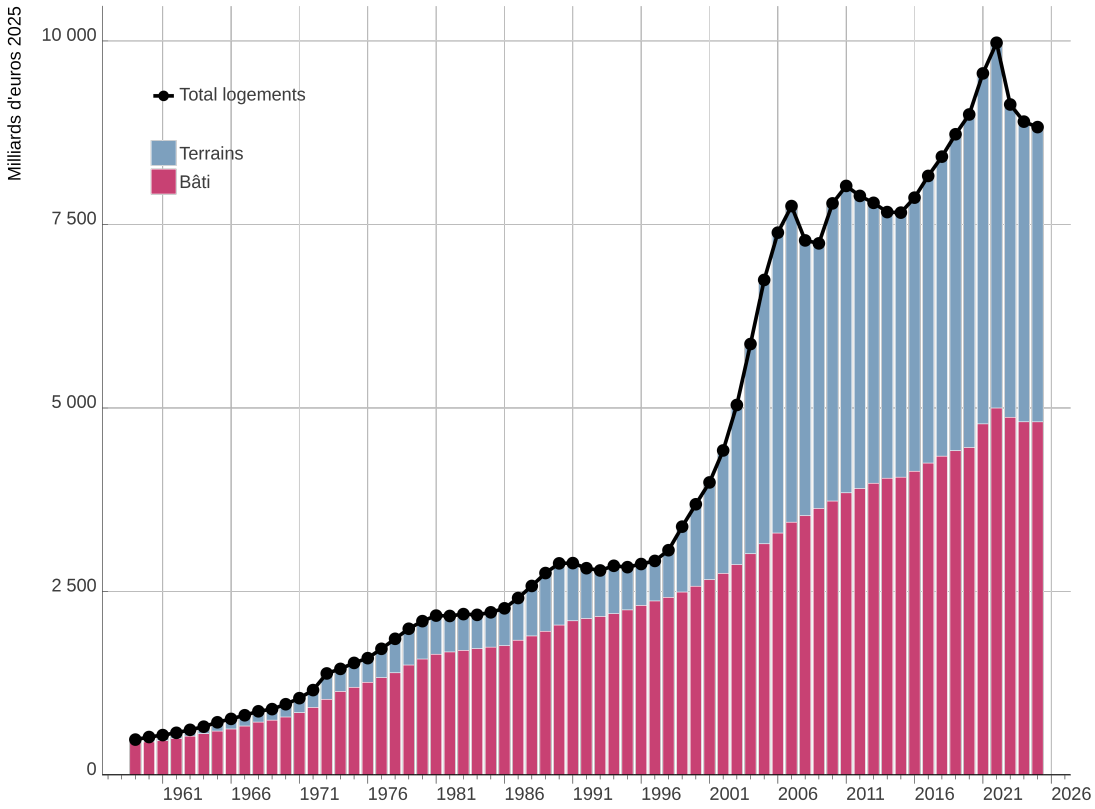
Graphique 1: Patrimoine immobilier des ménages, en % du PIB



Note : Valeur des logements détenus par les ménages (S14), en distinguant la valeur du bâti et des terrains, rapportée au PIB en valeur.
Sources : Insee, comptes nationaux de patrimoine, calculs IFE-OFCE, calculs OFCE.

0.2 En euros constants

Graphique 2: Patrimoine immobilier des ménages, en milliards d'euros constants



Note : Valeur des logements détenus par les ménages (S14), en distinguant la valeur du bâti et des terrains, en milliards d'euros constants de 2025 (déflateur du PIB).
Sources : Insee, comptes nationaux de patrimoine, calculs IFE-OFCE, calculs OFCE.

Taxing land is often presented as an ideal tax. Land is immobile; it cannot flee abroad for tax reasons; and ownership is correlated with income. The argument goes back at least to Henry George (1879). Short of nationalisation, taxing land would therefore seem a no-brainer. "Yes, but how?", ask Alain Trannoy and Étienne Wasmer in *Le grand retour de la terre dans les patrimoines* (2022). They conclude in favour of taxing unbuilt land at its current market value (unbuilt land being the value of the land itself, excluding any buildings on it). Why is a policy that seems so unassailable, and has been proposed for 150 years, not applied? The question may be more complex in practice than the simple case made for it suggests.

1 Ability to pay, benefit, compensation

There are three reasons for taxing land ownership over and above the income it generates.

- First, ownership increases the **ability to pay**: for equal taxable income, owners would have a greater capacity (because they enjoy the use of the property beyond the monetary income it provides).

- Second, under a **benefit principle**, owners benefit from local or national public goods. They benefit from the security of property, and can charge higher rents for a dwelling located next to a public service, or enjoy it themselves.
- Finally, they should **compensate** non-owners for the privatisation of land: the private ownership of some can be seen as a deprivation of liberty for others. The private property of some reduces the space of freedom of others.

Of the €66 billion in taxes on households' land ownership (Conseil des prélèvements obligatoires, 2023), taxes based on income (rents and capital gains) account for only €10.5 billion, or 16%. The ability-to-pay principle thus seems to carry little weight.

Transfer taxes on property sales ("notary fees") lack justification: a sale does not create income, does not really increase the benefit of ownership, and this taxation hampers mobility. The reason public authorities tax sales lies in the relative ease of doing so (it is a visible, quantified moment, involving the presence of liquidity). Taxing sales may have been justified under the Ancien Régime, but given better tax bases, a modern taxation of land should do without it.

The property tax (*taxe foncière*) can be justified by the benefit principle. However, it relies on obsolete cadastral rental values, reflecting the rental market of 1970. This system is hardly equitable today, since values have changed since then; but its advantage is that households can easily anticipate the tax.

The tax system has a missing base: "imputed rents", that is, the rent saved by owner-occupiers (**contribution by Botey and Chapelle**). An owner who moves, rents out their home and rents another will pay more tax without their purchasing power having increased: there is no tax neutrality. Another missing base is real capital gains, which are exempt on the main residence and wiped out upon gifts and inheritance (**Allègre**).

2 What should be done? Plural, sometimes contradictory answers

The Revue de l'OFCE publishes the proceedings of the workshop "Taxation of land ownership" (2026). The proposals presented are sometimes complementary, sometimes contradictory.

In her contribution, Anne Laferrère proposes encouraging owner-occupation because of its positive externality. She draws on British *leasehold* and *shared ownership*, American *Inclusionary Housing* and New York cooperatives, which recall our *bail réel solidaire* (solidarity-based real lease).

Montserrat Botey and Guillaume Chapelle, on the contrary, consider that the non-taxation of imputed rents, which were taxed between 1914 and 1965, constitutes an undue advantage: households in the top decile gain more than €1,000 per year from it. They argue for taxing them, in place of the property tax, to the benefit of young and less affluent households.

On the local side, **Pierre Madec** recalls that the abolition of the housing tax (*taxe d'habitation*) benefited the richest 5% in particular and reduced the fiscal autonomy of local authorities, which are now partly compensated by a share of VAT. **Clément Carbonnier** proposes abandoning obsolete bases in favour of a locally decided surcharge applied to national taxes (personal income tax, corporate tax, the real estate wealth tax IFI), on the Swiss model.

On transmission, **André Masson** starts from the puzzle of inheritance taxes, a "good tax" that is nonetheless unpopular. He proposes reforming them to steer seniors' savings towards long-term, productive investments.

Guillaume Allègre stresses that net real estate wealth has risen markedly without this being reflected in taxable income. Most capital gains are exempt (main residence, allowance for length of holding, wiping out upon gifts and inheritance). This adds to the very low taxation of gifts and inheritance (5% of the transmitted assets on average), which results in a double non-taxation. He proposes taxing all real capital gains upon transfers, whether free of charge or for consideration, at the moment when liquidity exists. Taxing what wealth yields rather than its stock also answers the liquidity objection raised against the Zucman tax.

Finally, **Vieri Ceriani** describes the instability of Italian real estate taxation. Italy taxed imputed rents until 2000 and capital gains upon sales until 1992, before abolishing them in line with electoral promises. He concludes that a reform of land taxation must be designed to last.

One of the divides is thus between the pursuit of tax neutrality and the encouragement of investment. But these answers reflect less a difference in final objectives than different emphases on the many aspects of efficiency and equality. The question is not so much "how do we achieve efficiency?" as "what kind of efficiency do we want to aim for?", not so much "how much equality?" as "which equality?", in a context where several visions of the good and the just are expressed. If there is agreement on taxing income better (Allègre, Botey and Chapelle, Carbonnier, Ceriani), the disagreement could be this: should owner-occupation and its transmission within the family be seen as providing security and a horizon, or as taking something away from others?

3 References

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