

# **Analysis on the Problem of Value-added Income Distribution of Revitalized Land in Urban Village Reconstruction**

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**Abstract:** In the process of urbanization, how to share the value-added benefits of land to better protect the rights and interests of various entities is a key issue. This paper adopts theoretical analysis, comparative analysis and other research methods. The study believes that the principle of “public-private consideration” should be adhered to in the distribution of land value-added income, so that all entities can share their respective interests fairly.

## **1. Introduction**

In recent years, China’s economy has developed rapidly and in 2017 it has become the world’s second largest economy. Economic development often comes with problems. Land resources is the first element of economic development, if not well coordinated to solve the problem of land revenue, economic development will certainly bring social problems. In order to solve this problem, all cities in China are making useful attempts and explorations. For example, Hangzhou has seized the golden development period of nearly ten years, rationally optimized the urban layout, and considered the villages in the city into the overall plate to realize the rapid development of the economy. Now it has been included in the ranks of first-tier cities, and there are still further development potential. Therefore, releasing the economic development potential through the villages in the city is an inevitable choice for every big city. Based on this background, this paper takes the distribution mechanism of land value-added income as the starting point, and focuses on how to improve the distribution of land value-added income in the urban village reconstruction. The article is divided into three parts. The first part is theoretical analysis, and the related theories of land value-added income. The second part analyzes the problems existing in the current land value-added income distribution in China. The third part puts forward measures to improve this mechanism.

## **2. Land value-added income distribution mechanism**

### **2.1 Theoretical analysis of land value-added income distribution**

There is a debate in the academic community about how land appreciation gains are distributed. Dan Luo et al. believe that there is a significant difference in the quantity and quality of labor input on the land area of agricultural land and construction land before and after land acquisition, and the land value they create also differs. The surplus of this value difference after deducting the land development cost is the value-added income generated after the land acquisition. Xianlei Ma believes that the value-added income from land acquisition is the difference between the equilibrium price of supply and demand in the agricultural land market before land acquisition and the equilibrium price of market supply and demand after conversion to construction land, and the residual value after deducting the land development cost from the conversion of agricultural land to construction land. . Shunqing Chen believes that the increase in output efficiency due to rising land prices is essentially the benefit of landowners and users in the process of land price change. Based on the above viewpoints, the author believes that the value-added income of agricultural land collection refers to the part of the land price appreciation of the price of the collective land and the

price of the right to use. The specific performance is the difference between the transfer price on the land primary market and the land compensation price after the state collects rural collective land. Formula can be expressed as: land value-added income = land transfer price - land acquisition cost - land development cost - other expenses.

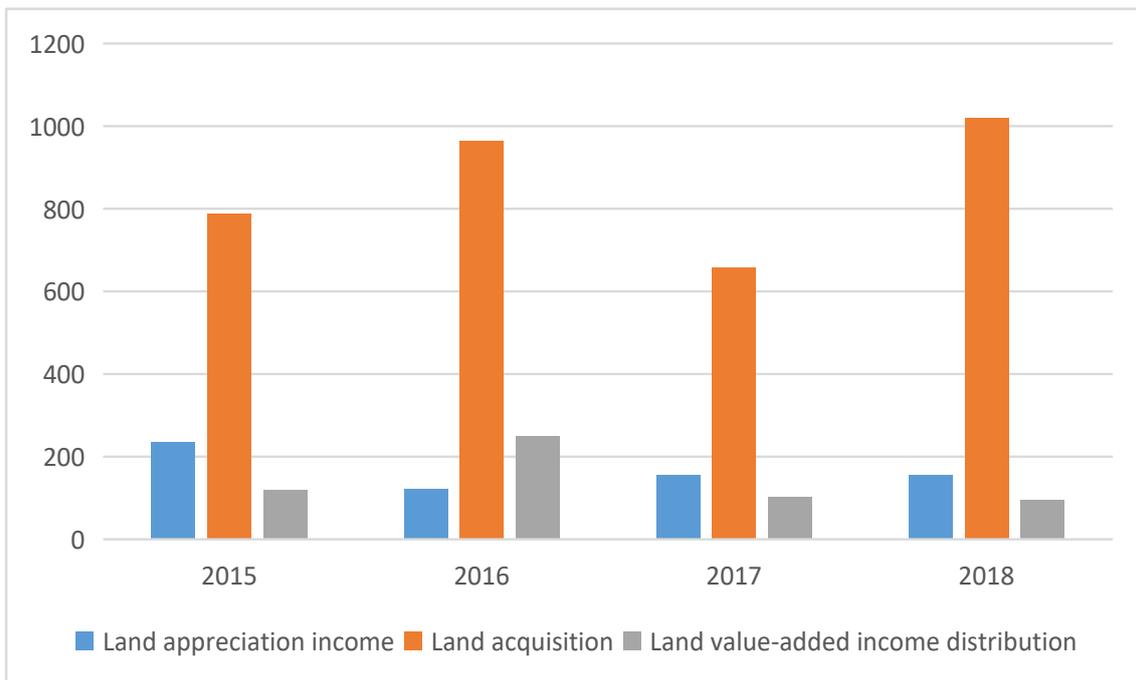


Figure 1. Relevant theoretical research on land value-added income

With regard to the distribution of land value-added income, there are mainly three viewpoints in the academic world: price increase, public price increase, public and private consideration. The increase in price, that is, the land value-added income generated in the change of agricultural land use should be attributed to the society. The rationality lies in the distinction between suburban farmers and farmers in the outer suburbs. The price increase is mainly private, from the protection of farmers' land rights. Although it guarantees the interests of farmers, it does not notice the essence of land value-added income. From the current development, most people prefer the theory of “public and private considerations”, which is conducive to the formation of a rational and orderly income distribution pattern and increase the regulation of taxation. This view takes into account the interests of all parties and is the correct direction for the distribution of land value-added income.

## 2.2 Basic principles for the distribution of land value-added income

The allocation of land value-added benefits is fundamentally how to solve the problem of fairness and efficiency. This is both a legal issue and a philosophical issue. Therefore, Rawls's theory of justice can be used to analyze the basic principles that need to be grasped. In other words, the participation of land-expropriated farmers in the distribution of land dividends should be equal. The first is to uphold the principle of equal opportunity. The land acquisition of the villages in the city involves the main bodies of the parties, mainly local residents, tenants, and village collectives. Therefore, in the specific operation, we must pay attention to let the different subjects enjoy the various compensation related to land acquisition. At the same time, everyone must use equal means and resources to achieve their goals. The second is to adhere to the principle of difference, which is in line with the principle of fairness. The land-expropriated residents/farmers have paid the right to use the land resources or the ownership of the houses, which is equivalent to making sacrifices and should receive the equivalent income. However, because the costs of different subjects are inconsistent, and the changes in the social economy bring about changes in land income, the use of one-size-fits-all standards does not meet the actual situation. Therefore, it is necessary to make equivalent and differentiated compensation according to the same cost, and also make adjustments in combination with time changes.

### **3. Problems in the distribution of land value-added income in the transformation of urban villages**

The premise of land value-added income is land acquisition. According to the law, land expropriation is a state in which the state has established procedures for the public interest, and on the premise of compensation, it is mandatory to obtain the land of citizens, legal persons and other organizations. The land expropriation has three elements: public welfare, procedural legality and fair compensation. The focus of land value-added income distribution is to compensate for this requirement. The value-added income of urban villages is aimed at cities. In the face of increasingly tense land resources, revitalizing the stock of land is the key to solving the development problems of big cities. Taking Guangzhou as an example, there is a large area of urban villages in the urban area, which has become an important obstacle to economic development. Therefore, in order to promote transformation and development, it is necessary to revitalize the land resources of the villages in the city through land acquisition or land transformation. In the process, a series of problems arise.

1) The problem of indiscriminate use of public welfare land. In the process of urbanization, the public land occupied by roads, public facilities, etc., which are levied on the land requisitioned by the villages in the city, generally accounts for about one quarter, and is relatively scattered, and can only be considered as a whole. The result of this is that the scope of land acquisition is too wide, and local governments rely on land finance for the purpose of seeking economic development in the short term and improving their performance.

2) The problem of low proportion of residents in the land appreciation income distribution structure. According to national laws and regulations, the ownership of village collective land is owned by the village collective. The rights of farmers mainly include land contract management rights, land acquisition compensation distribution rights, homestead distribution rights, share dividend rights, and economic democratic management rights. The land acquisition process is accompanied by the expansion of urban construction land and infrastructure construction land, which makes the government to meet the needs of economic development by collecting villagers' land. Farmers generally receive only the compensation for ground attachments and young crops, while the big heads are basically attributed to rural collective economic organizations.

3) Significant problems in regional distribution of value-added income distribution. Because of the geographical location, location conditions, traffic conditions, etc., the value of each village land is different, and even the same conditions of land, because of cultural relics protection, government needs and other reasons are not the same value. This leads to a different distribution of value-added income. Although compensation for land acquisition has increased in recent years, the compensation received by land-expropriated farmers is also different.

4) The collective land has no complete property rights. The state will transfer state-owned land use rights through bidding, auction and agreement, and obtain high profits and promote economic development. In China's land ownership, the right to develop urban land is owned by the state, but the land development rights of rural collectives are fully enjoyed by the government. Under the government-led land acquisition system, farmers and collectives have no right to be the mainstay of the transaction, and the proceeds are almost taken away by the government.

### **4. Measures for rational allocation of land value-added income**

The land expropriation in the villages in the city is an important issue that affects the interests of the peasants in the process of urbanization in China. Exploring the land income distribution mechanism of the villages in the innovation city is of great significance to guarantee farmers' long-term stable land value-added benefits.

1) Improve the distribution mechanism of land value-added income in urban villages. According to the analysis above, the distribution of land value-added income should adhere to the principle of "public and private considerations". Under the premise of fair compensation for land-expropriated farmers, the rest is attributed to the state. Therefore, in the land acquisition system, the neutral role

of the government should be brought into play and the land development rights system should be established. For the current economic and social development needs to increase the construction land, it is possible to guarantee the distribution of justice among farmers and intergenerational generations in remote areas through the establishment of special funds.

2) Reasonably determine the compensation standard. How the land value-added income is distributed fairly and reasonably among the various stakeholders, especially how to protect the interests of the majority of land-losing farmers through resettlement compensation measures has always been the core of the land acquisition problem. It is necessary to establish a reasonable, standardized and diversified guarantee mechanism, scientifically formulate land acquisition compensation and resettlement standards, improve fair compensation rules, strictly define public interests, narrow the scope of land acquisition, and appropriately raise the living standards of land-expropriated farmers. If monetary compensation is used, the form of compensation such as land reservation and land replacement will be promoted. It is necessary to rationally arrange property compensation, resettlement subsidies, and land compensation, and the land compensation theory for land-losing farmers will be reflected in the utility value of the social security that the land has.

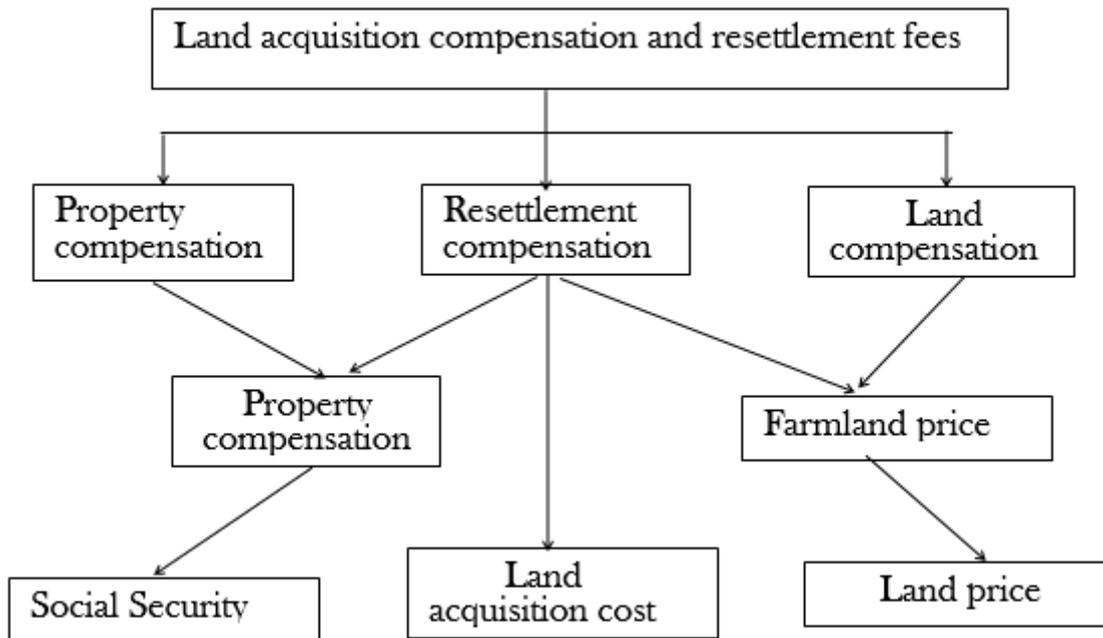


Figure 2. Diagram of land allocation and land compensation

3) Guarantee the land development rights of land-expropriated farmers. To change China's land ownership and change the rural collective ownership to be owned by individuals, it will encounter obstacles from the constitutional order and the whole society's psychological exclusion that may aggravate the new polarization between the rich and the poor. The land development right provides a legal basis for improving the compensation standard, and establishes the land development right system. Under the existing legal system framework, it does not challenge the existing legal system, and the resistance is the smallest and the acceptance of all classes is the highest. . Therefore, we can learn from the land ticket system in Chongqing, the Zhejiang model of land development rights transfer and trading, and provide reference for the land value-added income distribution system.

## 5. Conclusion

A large number of urban villages have greatly restricted the development of the city, and even led to the widening of the gap between the first-tier cities. A recent article pointed out that the key to Guangzhou's economic backwardness in the past decade is because it has not increased its efforts to promote the development of urban villages. In the process of urbanization, land is the first resource. The fundamental reason for this is the land guarantee of farmers, and the protection of farmers'

rights and interests is the primary consideration. The core of this problem is to give farmers and related investors reasonable compensation, so that the national society and investors can more actively develop the economy. This paper believes that the distribution of land income should adopt the theory of “public and private considerations”. The government should play a neutral role and actively act to protect farmers' rights and interests, not only to promote economic development but also to meet the needs of social groups.

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