

THE HISTORY OF LAND VALUES TAXATION IN AUSTRALASIA.

By AN AUSTRALIAN MAYOR.

Speaking with a knowledge derived from nearly twenty-five years' residence in England, followed by almost an equal period in Australia, during the whole of which latter time I have carefully followed the trend of the land reform movement here, I see no reason for any attitude but that of extreme hopefulness with regard to the future in Australia.

Great economic and social changes of a permanent character cannot be expected to come to pass in a few months.

If in moments of impatience, when speaking of our steady progress, we style it slow, at least we cannot deny that it is persistent and that there has been no turning back. Let me summarize the history:—

1884—South Australia imposes a tax of $\frac{1}{2}$ d. in the £ on land values.

1890—Queensland decided to raise approximately all its municipal taxation by taxing land values only.

1891—New Zealand imposes a tax on land values with a maximum exemption of £500. The lowest rate is 1d. in the £. The effectiveness of the tax has been injured not only by exemptions, but by graduations also.

1893—South Australia gave its municipal authorities power to rate on land values only. The Act, even with the subsequent amendments thereto, is admittedly imperfect, and in consequence is but little availed of.

1895—New South Wales imposed a tax of 1d. in the £ on land values—with an exemption of £240 and with other exemptions (this tax is now almost inoperative, but something better has been substituted for it).

1896—New Zealand gave its municipal authorities power to rate on land values only, except for certain purposes. (Act amended and considerably availed of).

1902—West Australia gave its more insignificant municipal authorities, viz.: its Roads Boards, power to rate on unimproved values. About half of these Boards have taken advantage of the Act.

1906—New South Wales adopted a system of Municipal Rating on land values, applying to the whole State—including Sydney, except the City of Sydney (c. f., the City of London), compulsory in the country districts, and partially compulsory and partly optional in the towns.

The option is availed of in the overwhelming majority of cases, and nearly £1,000,000 municipal taxation is raised thus in New South Wales with a population of a little more than a million and a half.

The State Tax passed in 1895 does not apply where the new system of rating prevails.

1907—West Australia imposed a tax of 1d. in the £ on land values, with certain exemptions.

1910—The Commonwealth Parliament imposed a graduated tax of 1d. in

the £ on land values, with an exemption of £5,000. This brings in approximately eight per cent. of the taxation imposed by the Commonwealth Government and over 5s. per head of the population of Australia.

1910—Victoria imposed a tax of $\frac{1}{2}$ d. in the £ on land values with a £250 exemption, which disappears at £500.

1910—Tasmania imposed a tax of 1d. in the £ on land values. Land values in excess of £2,500 are subject to a graduated tax.

Now approximately this means that inhabitants of the Commonwealth who number approximately $4\frac{1}{2}$ millions, pay nearly $3\frac{1}{2}$ millions of pounds in Federal, State and Municipal taxation on land values, or somewhat more than 15s. per head of the population of the Commonwealth. The two States where the taxation of land values is highest are New South Wales and Queensland. In both those States the great bulk of the municipal taxation is raised by taxing land values only and both are in addition subject to the Federal Government's Land Tax. In the former a very trifling State Land Tax still exists. The average in these two States per head of population raised by taxing land values is approximately 23s. per head, or 8s. above the Commonwealth average, and the average of the remaining four States is, of course, well below the 15s. before mentioned.

The point I wish to make is, not the magnificence of, but the persistency of the growth of land values taxation, and not the immense progress we have made, and not the miraculous effects of that progress, but the satisfactory effects of the steady progress we have made. There has been no turning back.

Throughout Australia municipal functions are not exclusively but mainly confined to the making and maintenance of roads and bridges, street lighting, surface water, drainage, street cleansing, parks and gardens. Even such services as water supply and sewerage, if indeed the latter service is rendered at all, are frequently though not entirely rendered by the State Government or by some board under its control and not by a purely municipal body. Services such as police protection, education and the care of the sick and of the insane, are almost entirely supplied by the State and not the municipal bodies; while the equivalent of poor relief, viz., the old age pension, is supplied by the Commonwealth Government. Hence it follows that the rates of taxation imposed on land values for municipal purposes are much lower than would be requisite if our municipal responsibilities were as heavy as in the United Kingdom. But though the functions performed by the local bodies (i.e., municipalities) are insignificant as compared with those of their British prototypes, the amount of taxation per head raised for municipal purposes in both New South Wales and Queensland is considerably in excess of the average per head of population raised for Federal and State purposes in the remaining four States.

The defect in all the Australian land value taxation (other than municipal taxation) is the irrepressible tendency to exemptions and graduations, two words as dear to the heart of the Socialist as "that blessed word 'Mesopotamia'" was to the old lady of ancient story. Wherever land value taxation for municipal purposes has been substituted for the British system formerly

in force, these dangers have not even obtruded themselves. The result has been the partial adoption of the Georgian theory in its full and absolute purity. It has not meant, as in the case of our State and Federal taxes, fresh taxation in addition to, but new taxation in substitution for old taxation. It has meant the lightening of the burdens of the deserving, and the placing of the burden thus removed onto the shoulders of the undeserving. It has meant the removal of the burden from capital and labor, and the increase of the burden of the land value owner. Moreover, when the fight for municipal land values taxation once begins, it is not, as would be the case of a proposed Central Government tax, opposed by a solid phalanx of all those land-owners who are actuated by self-interest; and even those who are actuated only by self-interest are divided, and a majority probably favor the new method.

As to the effects of the instalment of land value taxation we have in Australia, I have no doubt that it is operating as well as can reasonably be expected, in view of the modest size of the instalment, the grave blemishes of exemption and graduation and the heavy burden of protective duties to which Australia is subject.

It is perfectly true that owners give their land to their children to avoid the Federal Land Tax. I have had such cases under my personal observation, and they undoubtedly account for some trifling percentage of the many transfers resulting from the tax. But that the tax has very materially expedited the subdivision of large estates, and that it has tended largely to increase our production by increasing the rapidity of the conversion of sheep walks into prosperous agricultural districts, no unbiased person can deny. In fact the lamentations of some of the big shareholders in the great landowning companies at the fact that they have been compelled to subdivide and sell, are the best evidences of its efficacy in that respect. If there were neither exemptions nor graduations its effect would undoubtedly be even more efficacious.

Of the good effects of the municipal systems the evidence supplied to a recent English Royal Commission on local taxation bears ample evidence. But let me give a recent example. A Queensland client of mine who was about to invest some capital in a Victorian business enterprise was almost horrified when he learnt from me that in Victoria the investment of £3,000 capital in buildings would involve him in £15 per annum extra taxation in the municipality concerned: so accustomed to the system we advocate are Queenslanders.

In conclusion, let me say it will not be long before in Victoria municipal rating on unimproved values will be optional. There is little doubt that its adoption will be speedy. In no State in Australia has more magnificent educational work been done than in Victoria, and no part of the world was blessed with a more brilliant—a more intellectual—a more painfully industrious—a more self-sacrificing devotee of a great cause than the late Max Hirsch. In spite of this, Victoria lags behind. But, in his words:—

“Justice will prevail at last. But stone has to be laid upon stone with infinite toil; the mortar that holds them together has to be mixed with human sweat and suffering in order that mankind shall at last possess a fit habitation for a perfect social state.”