

# How Land and Buildings Are Taxed in the Soviet Union

By GEORGY BASHMAKOV, Candidate of Juridical Sciences

THERE are two general categories of taxes in the U.S.S.R.: state (federal) and local. All of the latter goes as revenue to the local budgets. The organs of state power and state administration of the Union and Autonomous republics, regions (territories), towns and districts have the right to alter the rates (within the limits fixed by federal legislation), and to grant extra exemptions for some groups of taxpayers.

The tax on buildings and ground rent come within the category of local taxes.

## TAX ON BUILDINGS

This tax is levied on dwelling houses, industrial and other buildings belonging to co-operatives (producers', consumers', fishing and housing co-operatives and producers' co-operatives of the disabled), and on houses and other buildings belonging to private citizens. *Those exempt are:*

collective farms do not have to pay the tax on any buildings located on the land secured to them for use in perpetuity;

members of collective farms, individual peasants and pensioners whose only source of income is the money they earn from their husbandry (kitchen-garden or orchard) on their personal plot, or pension;

wage and salaried workers living in the countryside who own their home and whose husbandry is subject to payment of the agricultural tax, and several other categories of citizens;

foreign embassies and consulates pay no tax on buildings occupied by them, on the basis of reciprocity.

Rates are as follows: Co-operative organisations pay annually 0.5 per cent of the cost on residential buildings, and one per cent on other buildings. In computing the tax, the original cost of the buildings as shown in the co-operative's books is taken as the basis. If there are no such figures, the value is fixed by tax assessors.

The tax on buildings belonging to private individuals is computed on the basis of the appraisal made on taking out insurance policies. If such appraisal cannot be found, the value is determined by tax assessors.

The tax is payable in three equal instalments, March 20, April 20 and May 20.

## GROUND RENT

All land in the U.S.S.R. belongs to the state, and enterprises, establishments, organisations and private citizens get land from the state for use. The state collects ground rent from co-operative organisations and private individuals on land assigned to them, whether built up or vacant.

In the main, ground rent is paid on plots lying within

the limits of a town or urban-type community on which private individuals have put up their own house or plan to do so.

Ground rent is collected only on land assigned for use in perpetuity; it is not collected on land assigned for a specific period, whether five, ten, 20 years, or more.

*Exempted from ground rent are:*

all land secured to collective farms for use in perpetuity specifically for farming purposes and all vacant woodland;

vacant plots intended for the extraction and working of peat, and for exploiting building materials, such as sand, clay, and so on;

plots of collective-farm members, individual peasants, wage and salaried workers whose husbandries are subject to the agricultural tax;

plots which are occupied by premises that are exempt from the tax on buildings, as those of embassies.

All towns and urban-type communities are divided into six classes, depending on importance, location and population, and there is a fixed ground rent for each class. Those in Class I pay 18 kopeks per square metre of land a year; Class II, 15 kopeks; Class III, 12 kopeks; Class IV, 9 kopeks; Class V, 6 kopeks, and Class VI, 4 kopeks.

Ground rent is collected on the entire area of the plot, including the area under ravines, ponds, and so on.

On land used in common by several persons, such as a yard situated between houses belonging to private individuals, the ground rent is apportioned in accordance with the area of their building site.

Ground rent is payable in the same manner and on the same dates as the tax on buildings.

## GROUND RENT IS A FORM OF TAX

As I have indicated before, ground rent is a form of tax. Neither from the economic or legal standpoint is it rent for the land, as land in the U.S.S.R. is granted to tenants, as a rule, for use free of charge.

Ground rent is collected from individuals only if they are not subject to the agricultural tax, and the rate does not depend on the quality of the land. In other words, the rent has no relation to what the plot is worth.

Ground rent is collected only on land assigned for use

The law of June 4, 1937, absolutely prohibits renting out land intended for farming, including woodland assigned for haying, pasturage or for other farming purposes. Plots are also granted free of charge for other purposes, such as for putting up buildings, building roads, and so on, and violation of this rule is a felony. Under existing laws, an organisation which wants to obtain a plot from land assigned to a collective farm cannot buy or lease it, but has to apply to the particular District Soviet. If the collective farm agrees to transfer the land

100 kopeks = 1 Rouble; 10 Rouble = £1. 1s. 0d.

(the question is decided by a general meeting of the members of the collective farm), the District Soviet will withdraw the plot from the land assigned to the farm and grant it to the organisation for use free of charge.

Only in rare cases does the law allow the letting of land. In towns, lots may be let for stalls or for putting up temporary structures. Plots of land granted to transportation agencies may be let for sidings, warehouses, and so on.

The amount of land on lease is very negligible. Besides, land leases in the Soviet Union are of a different nature from those in other countries. Rent here is not payment for the use of the land, but a reimbursement of expenses incurred in the servicing, upkeep and protection of the plots transferred. The old term "lease" has a different legal and economic meaning in the U.S.S.R.

#### WHAT IS ITS SIGNIFICANCE?

Free land tenure is of great significance for the country's economic development. Relieved of the need to pay for the land, state, public and co-operative enterprises and other organisations can put more money into industry and agriculture, and private individuals using land enjoy higher real incomes because they do not have to pay for the land.

Incidentally, land in the Soviet Union has no price. No price has ever been fixed by anybody and it figures nowhere, as there is no need for it. When land is assigned for use it is not valued in terms of money, as is the case with machines, buildings or other means of production, but is recorded in hectares or square metres.

I should like to call the reader's attention to another matter. Ground rent as a tax should not be confused with ground rent as an economic category, that is, with absolute or differential rent. As land in the U.S.S.R. is nationalised, absolute rent has been done away with. As a tax, ground rent does not correspond to differential rent either. As we have seen earlier, this tax is not levied on farm land, where there can be differential rent; it is levied on plots granted for putting up industrial enterprises or for housing construction. What we have here, therefore, is merely an identity of terms, but of different substance. Because of this identity of names, the designation of the tax is not altogether happy, but having been in use so long it has become habitual.

What can we say about the tax on buildings and ground rent for the near future? As we have seen earlier, private citizens make up a good part of those paying these taxes. In his report to the Twenty-First Congress of the Communist Party of the Soviet Union (January 1959) and in his answers to the questions asked him by Pierre Cot, political director of the magazine *Horizon*, (January of this year) Khrushchov stated that the Soviet Government plans to give up levying taxes on the population in the near future.

MAY & JUNE, 1960

## Correspondence

### Invitation to Detroit

To the Editor of *Land & Liberty*.

Sir,—The Detroit Extension will be host to the National Conference of the Henry George Schools this year on July 6 and 10. We wish to extend the heartiest welcome to all the subscribers of *Land & Liberty* everywhere to attend and participate in what we hope will be the best conference yet. Of course, we like to think that each conference is better than the last one and we are making every effort to maintain that record.

The Conference meetings will be held in Hotel Fort Shelby, which is in downtown Detroit. Discussions will include Economics, School Promotion and Legislation, etc. Please let all readers know that they are cordially invited to "come, let us reason together." On to Detroit in July!

Yours faithfully,

ROBERT D. BENTON

Henry George School,  
Detroit 26, Michigan.

### South African Boycott

To the Editor of *Land & Liberty*.

Sir,—Surely your correspondent Mr. T. E. Baker, is stretching his English language when he claims that refusing to buy from South Africa for a month, is not an economic measure. His object is to hit the producers on their most sensitive nerve, the pocket. Suppose after the month the South African people decide to boycott English production. A boycott can act similarly to a bullet. The Irish people who refused to supply Captain Boycott with anything, quickly drove him out of the district or he would have starved.

In all countries the landless people are oppressed and in any direct action they may take they are shot down by men almost as poor as themselves. Sympathy is then poured out from all sorts of funny quarters to cease shooting but none except the editor of *Land & Liberty* and his faithful followers will question why these human being are deprived of their birthright. The Editor is far too busy to start advising people not to eat South African jam etc. for a month.

Yours faithfully,

H. R. LEE

Southsea.

### HENRY GEORGE'S PROGRESS AND POVERTY

Condensed edition — Price 7s. 6d.

and other works may be obtained  
from our offices.