

# Tories sidestep SVR

IN RESPONDING to the popular clamour for the reform of local taxation by offering substitute methods for consideration, it was to be expected that, because of the influence of a strong sectional interest, political considerations would prevail over economic and moral ones.

The landed interest is well represented in the present Government and it may be taken for granted that this interest has not remained silent on its attitude to property taxation which, in the domestic section, it is proposed to replace with some other form of tax. Thus site-value rating is not even considered as an option for domestic rating by the Government in its Green Paper. This is not surprising *if the opportunity is to be seized to abolish property taxation regardless of what takes its place*; for the present system of taxing domestic and other rateable property is such that (in an indirect, clumsy and invidious way) land values provide a substantial part of local revenues. It can be seen therefore why site-value taxation, which concentrates the burden *wholly* on land values, is not popular with the present Government and is judged by it as best ignored.

The abolition of taxation on landed property would make a gift to land owners, who would capitalise this ultimate rate relief in higher prices or rents, as they have done with every other form of rate relief to date.<sup>1</sup>

However, for the present, the Government's Green Paper does not propose to abolish the domestic property rate but to supplement it with some additional form of revenue, a poll tax appearing to be the favourite. Under this scheme, everyone on the electoral register would have to make a contribution.

The options that are rejected after some consideration, are taxes on vehicles, tobacco, alcohol, and petrol. Those that qualify for further consideration besides the poll tax are a local sales tax and local income tax, the practical problems of which are acknowledged.

Among the various criticisms given of the existing system of rating domestic properties, is the popular one that earners who are not householders make no contribution to rate revenue. But hotels, lodging houses, guest houses etc., must have as much regard for rates in their charges as they do for lighting, heating and cleaning. And households that have several wage-earners must have regard for the same overheads when contributions to household expenses are agreed. But this argument, like the "ability to pay" and similar arguments, is no more relevant than those presented in favour of the options advanced as substitutes for the present system. The central issue is that there are public "wages" available for public services – "wages" (in the form of site-values) earned by the presence and activities of the people in their everyday transactions within the community – and no other sources of local revenue should be considered while this source, created and sustained by the people themselves, remains untapped.



**CRITICISM** of rates – the local property tax – always goes down well at political meetings, says British Liberal MP Stephen Ross, "but it would be more honest to mention the fact that most alternatives are likely to prove equally irksome. When the Irish Republic abolished rating a few years ago the citizens soon took to the streets protesting at the high rates of taxation."

## ALTERNATIVE TO DOMESTIC RATES\*

The Government, in response to continuing discontent with the way in which local people contribute to the cost of local services and the specific dissatisfaction arising from the notion that local people who are not householders make no contribution, has published a Green Paper which offers for public discussion alternative methods of raising local revenue. The Paper considers ways in which the domestic rating system might be improved and describes a number of possible alternative systems.

The Government says that the intention in publishing the Green Paper has been to set out the options and draw attention to the considerations involved in each of them and to suggest ways in which difficulties could be met, without at this stage setting out a preferred strategy or firm proposals.

The Government invites comments from local government, professional bodies, commerce and industry and the public on the issues raised by the Green Paper and submissions should be sent to The Secretary of State for the Environment by 31st March, 1982.

\*HMSO, London, £4.75.

## By Vic Blundell



Abolishing or reducing rates on houses may or may not be balanced by a poll tax for some home-owners, but those seeking to buy for the first time will be in danger of paying twice – once in the poll tax or other substitute and again in the price of houses, which will ultimately reflect the absence of the property rate.

There can be no legitimate excuse for not giving consideration to site-value rating. Evidence in full, and by answers to specific questions, was supplied by the United Committee for the Taxation of Land Values to the Department of Environment at their request just prior to the publication of the Green Paper.

As mention of site-value rating in previous government papers on this subject has merely consisted of attempts to make a case against it – attempts have been distinguished by a lack of understanding and by spurious arguments – it can only be that, faced with no new objections worth offering, the issue has been avoided for political reasons. The fact that site-value rating has been applied in a number of other countries for many years as a primary or sole source of public revenue would make its omission incredible were it not for the reason stated.

All that is required for site-value rating to be adopted here is to change the basis of assessment of properties from the composite value of land and buildings to land alone – in itself a great saver of time in valuation. Then there will be no need to experiment with extensions of national taxes and other bottom-of-the-barrel substitutes.

The whole argument for site-value rating need not be spelled out here but, if only as a defensive measure, the abolition or dilution of present property rates must be strenuously resisted.

## REFERENCES

1. See *In Defence of Rating*, T. A. Ende, Land & Liberty Press, 10p.