

## Ten Years of Land Value Taxation in Denmark

By Abel Brink, Denmark

Denmark is only a little spot on the map with its 42,931 square kilometres. Its soil is, especially on the Islands, largely fertile, though in Western and Northern Jutland it is of somewhat poor quality. Agriculture that in earlier times was the dominating occupation, is now relatively declining in favour of the diversified occupations that are typical of more industrial countries.

### POPULATION

Of a total population in 1930 of 3.5 million inhabitants, only about one million were occupied in agriculture. About the same number were occupied in industry and as artisans. The rest are scattered over many different occupations, such as trade, transport, horticulture, forestry, fishing, banking, teaching, etc. Furthermore, there is the increasing number of public officials and people who, on account of their employment or other reasons, are cared for by the community.

Naturally the development tends toward concentration. The countryside is not gaining in population, while the towns, especially the big ones, are growing quite considerably.

In the ten years 1925-35 the capital has increased from 810,900 to 958,400 inhabitants or 18 per cent, the provincial towns from 750,800 to 867,400 or 16 per cent, and the rural districts from 1,873,900 to 1,879,800 or only 0.3 per cent. In other words it is only the towns that are growing in population. In many of our counties the population has even decreased from 1925-1935, such as Holbaek, Sorø, Præstø, Maribo and Svendborg. It is the counties with the most fertile soil that are decreasing; while counties with poor soil are increasing, such as Aalborg, Viborg, Ringkøbing and Ribe. Where the land is relatively cheap the people are settling and establishing new farms, while on the better soil it is very difficult to buy at prices that give a family a fair living for its labour. In other words the land monopoly shows itself more on the fertile soil than in the poor districts.

### LAND VALUES

This development in regard to population has naturally influenced the land values that follow human beings as the shadow does in bright sunshine. For 1936 the valuation has not yet taken place, but even the figures of 1924 and

*Ten Years of Land Value Taxation in Denmark*

1932 show movements that correspond to the movements in population. The following table gives the figures :

	Land Values in million crowns		Increase per cent
	1924	1932	
Capital with suburbs ... ..	1,437	1,597	11
Provincial towns ... ..	736	802	9
Country districts ... ..	3,034	2,592	- 15
<b>TOTAL ... ..</b>	<b>5,207</b>	<b>4,991</b>	<b>- 4</b>

The general decrease in land values—in spite of increase in population from 1924 to 1932 by four per cent—is caused by the general deflation in money values.

To show the tendency and its force it may be mentioned that the general index for merchandise went down from 228 in 1924 to 117 in 1932. Of course, that big jump downwards only partially shows itself in the land values that fall much more slowly than the prices of merchandise.

**THE MOVEMENT FOR REDUCTION IN LAND VALUE TAXATION RESULTED IN A RISE**

The depression in agriculture caused by the decreasing prices of agricultural products and the increasing taxes, especially the indirect taxes, raised a strong movement in the agricultural districts aiming at reduction in the land value taxation.

That campaign resulted in the Act of 20th May, 1933, by which the land value taxation in the counties was made sliding in conformity with the net earnings in agriculture for the preceding calendar year. The standard net earnings were taken at 4.3 per cent of the agricultural capital and land value. As the net earnings in 1932 and 1933 were moving around *nil*, the Land Value Taxes were considerably reduced in the rural districts. On the other hand the increasing net earnings in 1934 and 1935 have given a corresponding increase in the Land Value Tax.

Furthermore, the taxes on buildings were reduced so as to be virtually abolished on agricultural property and only being of any importance on big houses in the towns.

The following figures show the development in the counties :—

Year	Land Value Tax <i>million crowns</i>	Building Taxes <i>million crowns</i>	Total Taxes <i>million crowns</i>
1931-32	14.1	7.9	22.0
1932-33	11.3	6.3	17.6
1933-34	3.9	3.0	6.9
1934-35	17.1	3.1	20.2
1935-36	17.8	3.6	21.4

The amount of taxes on real estate in 1935-36 was about the same as in 1931-32 before the amendment of the Act, but the building taxes are reduced, while the Land Value Tax is increased. As revaluation takes place every fifth

year and the sales value of land does not always in times of fluctuation correspond to the earning capacity of the land, the Act of 20th May, 1933, is an improvement, as is also the reduction of the building taxes.

#### THE UNEARNED INCREMENT ACT

The land value taxation in the capital, the provincial towns and the rural districts has not been amended by legislation since 1926, except in regard to the *taxation of the increment of land values*. This Act is of the same date as the above-mentioned Act amending the taxation in the counties, and is of considerable interest.

While the Act of 1926 as far as increment tax was concerned gave local option, the Act of 1933 imposes a national tax applying to all districts. The starting point for the tax is 1st January, 1932, at which date the land of each property is to be valued at a basic figure. From that figure the increment is to be worked out. If the land value in 1932, for instance, was 10,000 crowns, but in 1936, 15,000 crowns, there is an increment of 5,000 crowns. But not all of this amount is assessable. Ten per cent of 15,000—that is 1,500—is to be deducted. Furthermore, the general increase of the land value from 1932 to 1936 is to be found for the whole country. If that increase is 10 per cent, this percentage is calculated on the basic amount of 10,000. Thus there is to be deducted 1,500+1,000=2,500 crowns and the assessable increment is only 2,500 crowns. One-half of that amount, 1,250, is charged with tax at the rate of four per cent. The revenue is to be divided half-and-half between the State and the local authority (rural district, town or city).

There are serious blemishes in the Act. It is, as was the case with the Acts of 1922 and 1926, a result of negotiation and compromise between the three political parties, Social-Democrats, Radicals and the Lefts. The Party of Justice also voted for the measure, but before that it proposed amendments as would have made it possible to collect the entire increment for the community. In the first Bill that was proposed by the Socialist-Radical Government, the tax was 75 per cent of the increment. That was rejected in Landstinget (the Upper House), and the present Act does not take half of the increment.

The financial result of the Act has as yet been very small, as it is not until the financial year 1937-38, that all properties are to be subjected to the increment tax.

#### LAND VALUE TAXATION

In order to give the general financial results of land value taxation in Denmark the table below is given showing the *local taxation* and what part of it is Land Value Rates for the years 1926-27 and from 1931-32 to 1935-36.

Year	Land Value Rates	Income Taxes	Improvements	Motor Taxes	Total Local Taxes	Land Value Rates as per cent of total Local Taxes
1926-27	61	177	103	25	305	20
1931-32	57	170	100	48	318	18
1932-33	53	165	87	50	302	18
1933-34	45	162	83	46	291	16
1934-35	60	188	95	43	326	19
1935-36	66	211	105	43	359	18

It will be seen that the Land Value Rates are about 20 per cent of the entire local taxation. The percentage has not changed very much except in 1933-34, when the County Land Value Taxation was reduced.

While the local land value taxation in the rural districts has constantly been about 50 million crowns, the amount in the towns has been increasing. In the provincial towns the Land Value Rate in 1926-27 was 2.8 millions but in 1935-36 it was increased to 4.4 million crowns or an increase of 57 per cent. The increase was caused both by the increased value of land and the higher rate at which the rate was levied.

Also in Copenhagen the amount of land value rates has increased, but here the increase is caused largely by the higher valuation of the lands as the rate has always been 7.5 per mille, the highest rate the Act allows. A member of the City Council in Copenhagen *Mr. Hermod Lannung* has worked very energetically to get the Land Value Rate increased and the income tax reduced, but he has not yet succeeded. Some solid resistance seems to block the way, although the majority in the Council is Socialistic or Radical.

The State only collects seven million crowns in Land Value Tax. The amount has remained the same in the ten years and is about two per cent of the total taxes that have steadily been increased through the years due to the employment dole and other subsidies to the needy.

In general it may be said, that the progress in the ten years has not been rapid, but we have consolidated the work and may better be able to withstand the vigorous attacks made from different quarters that are interested in upholding the land monopoly. The valuation and assessment is now everyday work and the system accepted as a matter of course. Many people are working with it and trying to improve it without being propagandists for the system.

#### EXAMPLES

Even if the land value tax system has not been carried very far, it is possible to give examples of considerable increases in land taxes compared to the land taxes according to the old Acts. On a piece of vacant land in Copenhagen valued at 110,000 crowns in 1926, the tax under the old Act was 55 crowns. In the first year under the new system the tax rose to 440, in 1927-28 to 517, in 1931-32 to 594, and in 1935-36 to 671 crowns. There is according to the Act going to be increases in 1939-40 and 1943-44, when the Land Value Tax on the same land value will be 825 crowns. The rate was according to the Act in 1926-27 4 per mille, in 1927-28, 4.7, in 1931-32, 5.4, in 1935-36, 6.1, in 1939-40 6.8, and in 1943-44, 7.5.

Or let us take the well known B.T. building lying in the centre of Copenhagen. The area of the plot is only 389 square metres. The Land Value Rate is figured out in the following table.

Year	Total Tax	Land Value	Value of Land and Building	Rate per mille
1925-26	2,568	891,500	1,250,000	—
1926-27	5,000	1,000,000	1,250,000	4
1927-28	5,875	do.	do.	4.7
1931-32	6,750	do.	do.	5.4
1935-36	7,635	do.	1,300,000	6.1

Those two properties show a continuous increase in the rates. On the other hand there are also in Copenhagen big reductions on properties with small land values and relatively high building values. An example shows the result. A house has a land value of 4,300 and a total value of 20,000. There are three flats in the house. The tax was in 1925-26 before the reform 107 crowns, but after the transition period it is reduced to 53 crowns or less than half the former tax.

Even if the total change in the taxation system is not very great, the increases and decreases for the single properties are quite considerable, the former especially when the land is relatively little improved or vacant.

The steady increase in the Land Value Tax every fourth year, when the rate is increased, makes the landowner think of making a change. He must either build himself to get some income from his land or sell it. Both of those things have taken place especially in the capital and the big provincial towns, where the population has been increasing.

#### BUILDING ACTIVITY

Since the change in the system of local taxation there has been in the capital a building activity never before equalled. Of course the absolute amount of land tax does not alone influence house-building. That is dependent upon several factors. There is first the income of the ordinary man. Is that sufficient to pay the rent of better dwellings? Or is he able to finance the enterprise himself, pay the interest, and pay off the loans?

But the first condition is, that land is available at such a price, that the builder may be able to pay the interest upon it. This first condition the new system to some extent has created.

The following table shows the number of dwellings erected in the capital (Copenhagen and Frederiksberg):—

Year	Number of dwellings erected	
1919-20	2,330	} Before the Land Value Taxation reform
1920-21	5,503	
1921-22	2,206	
1922-23	3,031	
1923-24	4,812	
1924-25	1,722	
1925-26	3,671	
1926-27	4,721	} During the Land Value Taxation system
1927-28	4,800	
1928-29	4,312	
1929-30	5,807	
1930-31	5,751	
1931-32	8,616	
1932-33	5,316	
1933-34	9,080	
1934-35	9,490	
1935-36	9,118	

It will be seen that the building activity in the capital has increased considerably since the tax reform. While the average number of dwellings

built in the years 1919-26 was 3,611 annually, it has been 6,701 in the years 1926-36. The housing conditions in the capital and its suburbs have no doubt greatly improved. In the outskirts of the town, houses are everywhere springing up. Great areas are parcelled out and lots by the hundred are sold. As the first 10,000 crowns of building value is exempted from taxes and a middle-sized house may be built for 15,000 crowns or less, the taxes on the buildings are very small, the rate in Copenhagen being 5.6 per mille only.

This system has given people with relatively small means the opportunity to build in the suburbs, where land is cheaper and where a garden is to be had together with all the other pleasures and amenities for the family.

This movement therefore has greatly relieved the terrible congestion, that was prevalent during and after the Great War, when people were herded together in very small and often ugly quarters.

A few figures will show, what is obvious on the spot for any diligent observer. The total number of dwellings in the capital was in November, 1925, 210,500. The population of that time was 732,400. That makes an average of 3.4 persons per dwelling. At the close of 1935 the population grew to 843,000 and the number of dwellings was 267,600. That makes only 3.0 persons per dwelling or 11.8 per cent less than in 1925.

It is a fact, that the problem how to make room for the shelterless has ceased to exist. The number of shelterless, who got shelter from the municipality was in 1926 about 9,000. In 1936 it is an insignificant number.

An investigation of the slum streets also shows, that many families have moved out. The districts with old houses and a congested population, places where children are longing for sunshine, fresh air and green grass, are sending out their young people to the outer districts, where they often get their own house with garden, even if both are small.

The figures below show, that the inner districts are losing population and especially the slum districts, of which the four mentioned in the table have decreased in population, as one out of five persons has moved out.

Slum Streets				Year 1925	Year 1934
Borgergade district	...	...	...	2,292	1,921
Saxogade district	...	...	...	4,284	3,475
Istedgade district	...	...	...	8,088	6,509
Ryesgade district	...	...	...	6,836	5,559
TOTAL	...	...	...	21,500	17,464

On the contrary the outer districts have increased in population as, for instance, Brønshøj. The number of inhabitants was in 1925, 49,200 but in 1934, 97,600, thus nearly doubled in nine years.

But people are also in a great measure moving out to the adjacent suburbs, which are greatly increasing in population. The plots are comparatively cheap, and the communication by electric trains not too expensive. Gentofte municipality has for instance grown from 39,600 inhabitants in 1925 to 63,800 in 1935. The same relatively rapid growth has taken place in Lyngby, Søborg, Hvidovre, Rødovre and Taarnby. The people are now scattered over

a greater area, as most families in the suburbs have their own houses with gardens. When travelling around in the suburbs of the capital, it is astonishing to notice the rapidity with which houses are being built and the districts developed. Streets are made, sewers and water mains laid down, nice houses are built, and gardens laid out and kept.

PROVINCIAL TOWNS

The development, which takes place in the capital and its surroundings, is also to be seen in the big provincial towns, only on a smaller scale. The Land Value Rate in the bigger towns is about 6 crowns per 1,000, which together with the land value taxation to the State makes about 7.50 crowns per 1,000. Of the building value, usually 8,000 crowns are exempt, besides 1,000 crowns for each dwelling with kitchen above one.

Most outspoken is, perhaps, Odense with 76,200 inhabitants. It is a flourishing town as it is the centre of the very fertile Island of Funen, called the Garden of Denmark. As in the Copenhagen suburbs so in Odense, dwelling houses are being built by the hundred. Odense is known for its nice houses and beautiful gardens. In Odense it can be shown how the land value taxation was "the straw that broke the camel's back," when a great landowner started to sell lots, and a beautiful new part of the city was developed. But also in other towns there is a lively and healthy building activity.

Where the towns are not growing, which is the case with many of the smaller ones, the people living in the centre are building houses out of the town or near the seashore, where they are living at least in the summer time. The building activity has also greatly increased in the years 1927-35 compared with the years before the reform, which the following figures show :—

Years	Number of dwellings erected
1935 (First half-year) ... ..	2,328
1934 ... ..	8,237
1933 ... ..	5,807
1932 ... ..	2,860
1931 ... ..	5,241
1930 ... ..	4,981
1929 ... ..	4,004
1928 ... ..	3,360
1927 ... ..	2,790
Average 1921-26 ... ..	2,712

While the average number of dwellings erected before the reform was about 2,700, it was in the 8½ years during the new system about 4,700 dwellings or 74 per cent more.

RENEWAL OF BUILDINGS

The system of land value taxation has made lands around the towns alive with human beings. The landowner is now selling earlier than he otherwise would, because his experience is that he has to pay to hold on to great tracts of land that are increasing in value. In addition to the Land Value Tax, there is the obligation to pay for roads and sewers charged on land by the square metre, inducing him to develop or sell.

But this last-mentioned duty on the land does not exist in any measure on lands in the centres of the towns. There it is only the payment of the Land

## *Ten Years of Land Value Taxation in Denmark*

Value Tax, that usually ranges from a half to one per cent of the land value. Even old, dilapidated buildings will stand that pressure. The rent yields even then enough to pay cost and taxes. Therefore, we cannot yet show that change in the centres of our cities, which should as a matter of course—as is the case in Sydney and Vancouver—only consist of good, first-class buildings suitable for the situation. It would not pay to have old and unmodern buildings on that very expensive ground.

Only to some extent has that taken place in the towns in Denmark. In the capital, in the ten years 1926-36, altogether 2,963 tenements have been demolished, or an average of 296 annually. But there is a long way before all our slum quarters have given place to good and decent buildings. Still, it may be mentioned that in the years 1919-26 there were demolished 155 tenements or an average of 22 tenements annually. The progress is noticeable and good.

In the provincial towns 2,252 tenements were demolished in the years 1st January, 1927, to 30th June, 1935, or 8½ years. That makes an average of 265 tenements annually.

With that speed, however, it would take several hundred years before all the old buildings are replaced by new ones.

A few per cent Land Value Tax would do much to speed up the replacing of the old buildings by new ones.

### CONCLUSION

When looking at the development in the countryside as well as in the towns in regard to the economic social and cultural standard of the people it may be said, that it is higher now than ten years ago. Still there is a difference between the countryside and the towns. The farmers have had depression since we got the tax reform in 1926, while the towns only indirectly have felt that. Therefore it is obvious, that the greatest progress has taken place in the towns. It is there that building activity has been lively, and is also there that advantage is taken of the increasing public administration and the greater number of public officials. Of course the reform has only been carried to a certain very limited extent, but as far as it has been carried out the results have been much greater than could have been expected. The reason is, perhaps, that the opinion in favour of the reform is still growing. We look with intense interest to the next step. The landowners are also anticipating it. This is probably the reason why the effects are so much greater than what the relatively small Land Value Tax, if it were to stop there, might have induced the landowners to do.

*(Issued in advance of the International Conference, London, 1st to 5th September, 1936, by the International Union for Land Value Taxation and Free Trade, 94 Petty France, London, S.W.1.—Additional copies, price 3d. each.)*