B. W. BROOKES sounded this warning in the Beckenham and Penge Advertiser for March 10

There's A Shock In Store For Property Owners

TO most of us, the word "taxation" rings about as pleasantly as the bell in the dentist's waiting room.

Whether we call it national taxation or local taxation; whether we use it for putting sputniks into orbit or for having our dustbins emptied, it makes little difference. We still place taxes among the less attractive features of civilised life, slightly ahead of castor oil, the rack and the thumbscrew, and lying on planks of nails.

In recent years the burden of national taxation has been considerably eased. The instalment that might break the camel's back may now be said to be several straws away.

And with Britain's economy continuing to boom—and despite the recent increase in the Bank Rate— we can look forward hopefully to Mr. Amory's Budget for a further lightening of the burden from April next.

But if Whitehall can get by with a little less of our money, the same, unfortunately, cannot be said for Town Hall.

Faced with ever-rising costs, due mainly to inflation, local authorities have for years watched the tide of expenditure rising up around them. And, despite the efforts of hard-pressed councillors and the vigilance of ratepayers' organisations, there is no evidence that stability has yet been reached.

To add to the general black outlook, a heavy shadow hangs over every ratepaying householder. That shadow will finally close in just three years from now. In 1963 the new valuation of houses will come into force. And the chances are that every house-owner will receive his biggest financial shock since the introduction of Schedule "A".

At present all houses are assessed for rates on 1939 values. In 1963, they will be changed to the present-day values.

According to delegates who spoke at the recent Rating and Valuation Conference at Eastbourne, the result will be a heavy shift of the rating burden on to the shoulders of the house-owner.

Indeed, one team of experts—the Plymouth and South Devon Valuation Panel—have estimated that the increased liability for householders as a body will be nearly 50 per cent.

This, they assert, does not refer to the increase in assessments but to the actual amount payable.

For the home-owner — the backbone of any property owning democracy—ever-rising rates have been the biggest financial bugbear since the end of the war.

Unlike the owners of business premises, the householder cannot present his rating bill to the Inland Revenue and claim an allowance against income tax. He can only bear it with a stiff upper lip and a gracious hand on the cheque-book. But unless something is done soon his forbearance will be strained to breaking-point in 1963. The problem is, what can be done?

Under the present system, the answer is very little. Present expectations are that the Government may withdraw the current concessions to industry (at present derated 50 per cent).

Speakers at Eastbourne suggested that agriculture—at present exempted completely—should be looked at again.

But the rerating of industry, and even of agriculture, would do no more than lightly cushion a very heavy blow.

The conviction is growing—judging by the number of resolutions passed at recent local government conferences —that the only way to deal with the problem of rates is to scrap the present 360 year old system and start afresh.

After all, it is argued, a system that first saw the light of day before the Gunpowder Plot ought now to be due for retirement.

LOCAL INCOME TAX

What could we put in its place? One popular suggestion is a local income tax, but this is usually ruled out on practical grounds alone. To be a truly local tax and not a glorified "block grant" doled out by the central Government, it would need to be assessed and collected locally. In which case where should a man pay his tax—to the local authority where he lives or where he works? And what about businesses? Would they pay according to the location of their factories or the address of head office?

Economists, moreover, warn against the "disincentive" of high income tax and the tendency to evasion and waste that it promotes.

To raise the present rate fund of £548,000,000 from incomes would mean a levy of 2s. 1d. in the £, making a total standard rate of 9s. 10d. . Such a rate has been reached only once before in the history of this country—in 1940 when we were engaged in a life-or-death struggle with Hitler.

Even then, when sacrifice was the order of the day, Churchill warned Sir Kingsley Wood, the Chancellor of the Exchequer: "If you suppose you can collect at these high rates without waste or great diminution of effort, without striking a deadly blow at good housekeeping and good management in every form, you are greatly mistaken."

In many quarters the conviction is growing that the only practical alternative to our present rates is the site-value system under which we would pay according to the value of the land we own.

This is already in operation in Australia, New Zealand and other countries of the Commonwealth. It seems to be not only effective but popular with the great majority of ratepayers. Last July, at their conference at Oxford, our own National Union of Ratepayers Associations called on the Government to hold an inquiry into its application here.

According to a report published in New York by the International Research Committee on Real Estate Taxation, after a world-wide survey sponsored by local government experts in Canada, the U.S.A. and the United Kingdom, there is no doubt about what such an inquiry would reveal.

In the first place, says the research committee, the lifting of rates from bricks and mortar encourages property-owners to erect good-quality buildings instead of leaving valuable sites idle or cluttered with unwholesome hovels and slums.

This, in itself, reduces the tendency to swallow up the countryside with developments that ought to take place in towns.

In the second place, by bringing more land on to the market, it lowers the price of land and cuts the general cost of living.

And in the third place it ensures that a proportion of the benefits of economic growth and urban development—the things that give land its value—would come back to the community at large.

The report shows, too, that the main burden of the rates would be switched from the residential outskirts of towns to the valuable properties in the centres.

In Beckenham, it has been estimated, the rates of householders would come down by something like 50 per cent, thus following a pattern common in Australia and New Zealand for towns of similar size.

Here, then, are the choices before the Minister of Housing and Local Government as he contemplates the rating set-up for the 'sixties.

1—Change to a local income tax and take another 2s. 1d. in the £ from our wage-packets;

2—Rate the sites alone as they do "Down Under";

3—Cling to the present antiquated system and face the wrath of 15,000,000 householders.

Mr. Brooke, you have until 1963.

Muted Call For Reform

Extract from the executive committee's report to the London Labour Party. The report was accepted at the Party's annual conference in March, 1960

RATING OF SITE VALUES. The rating of site values could be used as a revenue raising system to replace the existing rating system completely. If, however, the present basic method of local government financing is to remain (and the view expressed in this Memorandum is that it will), the rating of site values at low site rate poundages could be operated to provide supplementary local authority income.

The principal arguments in favour of site value rating are as follows :

(a) Site value rating encourages the development of land.

(b) Site value rating is a tax upon a private value (*sic*) created from community influence, and public expenditure.

(c) A site rate is borne by the site owner as distinct from the occupier and thus is more equitable than property rate.

Each of these arguments is briefly examined.

Land Development.

At present no rates or taxes are payable in respect of unimproved sites. Sites, like empty properties, can be deliberately kept vacant in anticipation of higher market values. The compulsion to pay a site rate on unimproved sites would tend to encourage the site owner to make the site an "earning site" and would therefore encourage development.

The question of how far full development of land in the physical sense is socially desirable in already congested areas needs to be considered. Local authorities could exercise some safeguards against undesirable development through the use of town planning powers. In encouraging land development, site value rating would not weaken local authority control over such development.

Community Influences.

Perhaps the strongest argument in favour of site value rating is that land values increase as a consequence of community action.

It seems right that the community should receive some financial share in the gains arising from its actions. Land values owe nothing to the productive efforts of the site owner—is it not reasonable that some portion of this accrued, unearned wealth should be devoted to community purposes and services ?

Rate Liability.

The theory of site value rating is that the site rate is borne by the site owner and not the occupier. It is probable that the legislation to provide for site value rating would need to establish clearly the liability for the site rate and afford some protection for tenants against consequential rent increases. A rate on site values would be a tax upon the site, the imposition of which would not affect in any way an existing contract between landlord and tenant.

Not everyone is agreed however, on the practicability or desirability of site value rating. As recently as 1952, the Committee of Enquiry on the Rating of Site Values