

## SOUTH AFRICA

## A Demand for Just Taxation in the Cape Province

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The basic principle of the system of rating known as the rating of site values, or the unimproved value of land, is justice, and, as applied to rating, means that the rates paid into the municipal exchequer shall be an exact equivalent of the services rendered, or benefits received. On moral grounds, therefore, this system will, I am sure, receive the same support here that it has obtained in every country where this great underlying principle has been recognised. The moral aspect is, however, more or less obscured by the fact that the physical effects and the material advantages are not sufficiently appreciated.

The rating of site values, or the unimproved value of land, or land values, as it is variously described, means the levying of all rates on the value of the land only and the exemption of all improvements. The site value of land is the value of land as naturally existing plus all the advantages of situation and less the value of all buildings and improvements, if any, that is to say, the value of the land without anything having been added to it by labour and capital.

The practicability of valuing the land and improvements separately is now beyond question, as Great Britain, Australia, New Zealand, America, the Transvaal Province, and, this year, the Cape Province have adopted this system. The value of land, and the value of buildings and improvements on land, are different kinds of values and arise in different ways. Therefore, if a similar system of rating is applied to both it naturally follows that it cannot affect them in the same way.

The value of buildings and improvements is a value produced by private and public expenditure of capital and labour, and any rate levied in respect of that value has exactly the same effect as an impost of any kind placed upon any commodity, the product of labour and capital, it adds to the cost of production, making buildings of every kind dearer, building operations are restricted, curtailing employment, and limiting industry and business of every kind. And it may actually happen that in the course of the life of most buildings the rates paid will have exceeded the value of the structure then demolished or removed while the site remains and has probably increased considerably in value. From this point of view then, the building depreciating and the site steadily appreciating in value, it would appear unfair to rate land and improvements on the same basis.

But there is another and more important reason why improvements should be exempted from the payment of rates assessed on their value. Buildings do not benefit in any way by the expenditure of these rates on the various municipal services and improvements and therefore rates levied in respect of the value of buildings do not conform to the principle that all should pay in proportion to the benefits received. Just consider it, from the moment that we assemble together bricks, timber, iron, etc., in the form of a building, that building commences to deteriorate and it

is only by the constant application of labour and capital that the building is kept in anything like its original state. No public expenditure on tramways, electric light, sewerage schemes, or abattoir, can in the slightest degree increase the value of buildings, yet property is said to increase in value. True, but it is the site only that increases in value and the partly used, and unused land, benefits equally with most highly improved lots. Now if the site, and the site only, benefits and increases in value by all public expenditure, is it not a fair and just proposition that that portion of the capital value of property which benefits by such expenditure should be rated? And a rate levied on the site value would not add to the cost of production, land cannot be produced. Nor would it make land dearer or decrease the quantity of land, on the contrary it would increase the quantity of available land by rendering it more difficult for those who own land without using it to continue doing so for any length of time. Building would not be restricted by land being held out of use for speculative purposes, more and better buildings would be erected, vacant lots would be built upon, and the Council would not be compelled to offer land on the outskirts of the city and then have to adopt expedients to prevent speculative purchasing.

This method of providing building land, while there is a considerable number of vacant lots which should be available for building purposes, seriously impairs the efficient and economical working and administration of all municipal services. Tramways may have to be extended, light, water and other services must be provided, involving corresponding increases in the capital account of these services. The revenue derived will be a very inadequate return for the amount expended with the result that the cost of these services may be increased, and, in the case of non-paying services, like the tramways, will form an additional charge on the general rate, so that the holding of land out of use, or out of its best economical use, increases the cost of municipal services and at the same time gives a higher value to the land which is being used, thereby increasing rent. This is inevitable, as our present system of rating renders practically inoperative the law of supply and demand. Effective demand we have, but by levying the major portion of our rates on buildings which do not benefit by municipal expenditure, the land, which does benefit, carries such a small part of the public burden that it can profitably be kept out of use, or out of its best use, thus preventing supply operating to satisfy demand.

Any organisation having for its objects the advancement and welfare of the city, and desirous that the increased prosperity shall be as widely diffused as possible, must use every endeavour to have the incidence of the municipal rate so altered that free supply shall operate to satisfy effective demand. And I submit that it is only by rating the value of the site and exempting all improvements, that this can be accomplished.

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