IN DEFENCE OF THE PROPERTY TAX

● **VIC BLUNDELL reviews the arguments for and against the abolition of the rating system in Britain.**

Among these proposals is the re-rating of agricultural land which has escaped its contribution since 1929, the effect of which has been to bolster the price of farm land.

It is a pity, however, that this excellent proposal includes the rating of agricultural *buildings,* which would tip the scale against those farms with modern and well-equipped buildings.

In discussing the re-rating of agricultural land, the Institute – wrongly, we think – considers de-rating in times of agricultural depression excusable:

> **"Motives for giving relief cannot be questioned when economic stress afflicts a whole industry and that was the case with agriculture rather over a century ago."**

Since de-rating ultimately boosts the rent and price of land, the beneficiary is the land owner not the industry, as we argued with historical evidence in our issue of November-December, 1980.

This criticism apart, the case for rating agricultural land is well reasoned and arguments to the contrary are effectively disposed of.

The Institute calls for the total exemption of improvements from taxation in the non-domestic section – in short, for site-value rating. But it is proposed to restrict the valuation of sites to their existing use and the reason given for this is that restricting site-value rating to developed sites will not raise the development and planning problems associated with the use of site-value rating for all sites, developed or vacant, and will not involve consideration of latent development value. This is true enough but it would be at the cost of negating the sound principle of "highest and best use" which the market for land reflects and, of course, idle sites would tend to remain idle without the spur of a site-value rate.

The latter point apart, it has been argued elsewhere that for the vast majority of residential properties, existing use equates near enough to highest and best use, given that planning permission would not be forthcoming for any appreciable change of use in residential areas.

The many administrative, legal and valuation advantages of site-value rating are pointed out as well as those arising from the reduction of appeals, now related largely to structural alterations.

The Institute rightly favours the basing of valuations on annual values (an important principle of site-value rating,) rather than capital values, and it rightly argues for charging rates on ownership instead of mere occupation, saying:

> **". . . a property tax charged on occupiers as such is illogical and, among nations imposing property taxes, a freak."**

The case for the abolition of *non-domestic* rates is also examined and the Institute concludes that in the light of existing circumstances, the abolition of non-domestic rating is as impracticable as the abolition of domestic rating.

On exemptions from rating, the Institute says that aid to worthy causes should be by direct government subsidy not by rate relief, but

> **"acknowledges that any review in present circumstances is likely to be quite unacceptable so far as religious and charitable beneficiaries are concerned . . ."**

This document, despite the objections we have raised, is far superior to anything produced by government departments. While the Institute makes concessions to what it no doubt regards as the politically possible, it does not misrepresent or avoid views contrary to its own. It is a handy booklet for those wishing to know more about those aspects of local taxation which are in the forefront of today's discussions on rating and gives a lead to sound thinking and sound principles in the field of local taxation.

1. *Rating – Has it a Future?* The Land Institute, 93 High Street, Epsom, Surrey. 32pp, A4, not priced.
2. A body of professional people concerned with rating, valuation and other aspects of land economics, legislation and taxation.

LETTERS

RENTS AND RATES

SIR – I find it absolutely incomprehensible that so many people think that rates are closing down small (and presumably large) traders' businesses.

According to Lloyd's Bank Bulletin and the Confederation of British Industry, it is estimated that rates represent about five per cent of the turnover of industry and commerce, but neither authority tells us what the percentage of turnover is in terms of rent or its equivalant in mortgage interest or interest on debenture shares.

An analysis in North London shows the initial lettings of retail shops and rent reviews are producing rents three to three and a half times what the trader will pay in rates.

The differencea between rates and rent is that rates produce services while increases in rent produce nothing at all. Rents are inflated because rates are subsidised and because income tax is allowed to the trader on both rent and rate payments.

As a landlord, I receive the rate support grant intended for my tenant and as a tenant, I lose my rate support grant to my landlord. Human nature being what it is, I don't return it to my tenant and my landlord doesn't return it to me.

Reduction of support of the rates is causing increases in the rates and increased rates mean reduced rents on initial lettings and at rent reviews. We do get something for the rates.

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THE LAND REGISTER

SIR – Certain planning committees in Britain consider the Land Register defining land considered surplus to the requirements of local authorities, nationalised industries and other public bodies, to be less than satisfactory.

The Register is by no means comprehensive. There is little reference to land owned by nationalised industries, statutory undertakings and Government and public bodies.

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