

RATING ON UNIMPROVED LAND VALUES IN QUEENSLAND.

BY MAX HIRSCH.

Queensland levies no tax on the unimproved value of land for State purposes. On the other hand, it has proceeded earlier and further than any other country in the direction of assessing the unimproved capital value of land alone for local rates, having made this system compulsory for all rating bodies in the State, except water works trusts.

The initial steps in this direction were taken in "The Divisional Boards Act 1879," passed by the Conservative Government of Sir Thomas McIlwraith providing for local government in rural areas and excluding certain improvements from rating.

In 1887, the Government of Sir Samuel Griffith, at present Chief Justice of the Commonwealth, passed a consolidating Act, "The Divisional Boards Act 1887," which extended this principal, and inter alia provided that the capital value of country land, upon which the annual value was to be based, should be taken at the fair average value of unimproved land of the same quality in the same neighbourhood.

In 1890, Sir Samuel Griffith, then Premier in a Coalition Government composed of Liberals and Conservatives, succeeded in passing "The Valuation and Rating Act 1890," which excluded improvements from local rating in urban as well as in rural areas, except as regards land held under goldfield tenures, where the value of buildings was to be included.

Thus the law stood till 1902, when the Government of Mr. Philp, again a Conservative Government, passed "The Local Authorities Act 1902," which consolidated the whole of the statutes relating to local government. This Act swept away almost the last vestige of any rating on improvements, and made the unimproved value of land practically the sole corpus, in which local authorities were permitted to assess rates. The experience gained of this system under previous statutes have been so favourable that the radical step taken by the Philp Government met with no opposition from the public, and with but feeble opposition even from the land-owners in the Legislative Council, who had only consented to the Act of 1890 under the strongest pressure. Many and loud had been the prognostications of disasters to come from this radical breach with past custom. However, they were quickly falsified. In 1893 a conference took place in Charters Towers of the local authorities of Northern Queensland. This conference suggested various amendments in the Act of 1890, but—after two years' experience of the rating on unimproved values—the only resolution on this subject was one to reduce the valuation of buildings on goldfields to one-third of their value, thus extending the principle.

In 1896, after five years of experience with the new system, a Royal Commission was appointed to inquire into and report upon the whole system of

local government. The enquiry lasted for two months. The Commission examined many witnesses and sent questions to all local councils, which elicited 96 replies. Of the witnesses one only expressed an opinion in favour of the old system of rating, and only one local authority did the same. In face of the actual or implied approval by all other witnesses and correspondents, the Commission did not seriously consider the views of these dissentients. The ready acquiescence of the public and the Legislature in the Act of 1902 is thus explained by the favourable experience gained of the new system of rating under previous statutes.

The Act of 1902 limits the rating powers of local authorities as follows, no distinction being made between rural and urban authorities;—The general rate shall not be less than one-half pence and not more than threepence in the £ of the unimproved value of land; special rates shall not exceed threepence in the £. In addition, water rates, separate rates, loan, cleaning, and tramway rates may be levied, and no limit is set to their incidence. The minimum valuation of any property is £20 in shires and £30 in cities and towns. Tramways are rated in the ordinary way on their land, and in addition pay 30 per cent. on the gross earnings of their cars; gas companies pay from £1 to £8 per mile of main pipe, according to their diameter, and electric supply companies pay £2 per mile of route traversed by their line or lines. Hydraulic mains under public roads pay £5 per mile during the first ten years, and £10 per mile thereafter.

Exempt from rating are:—All land belonging to the Crown and not let to tenants; land used for public purposes, show-grounds, public recreation, athletic sports and games; land vested in any public authority, or used for public charity, public worship, public educational purposes, orphanages, mechanics' institutes, schools of art and cemeteries and mines, which are taxed by the State through a dividend tax.

RESULTS.

In reply to certain questions put to him by Mr. A. G. Huie, secretary Single Tax League of New South Wales, Mr. W. H. G. Marshall, town clerk of Brisbane, writes as follows on January 6th, 1908.

REPLIES TO QUESTIONS RE RATING ON UNIMPROVED VALUES.

"1. Do you experience any difficulty in raising sufficient revenue in this way?—No.

2. Has there been anything of the nature of a land boom since the new system was adopted?—No.

3. Does it encourage owners of land to use it rather than to hold it idle for speculative purposes?—Yes.

4. Is it in the interests of the average wage earner who has, or who is trying to get, a home of his own?—Yes.

5. Does the land value rate induce people to overbuild on land, or in other words, build two houses on land where there is really only room for one, because the improvements are free of taxation?—

Not necessarily. The owner will of course use discretion in putting up

such improvements as will bring in the best return; to overcrowd the land by erecting two cottages where there is only room for one would defeat this object.

6. Does rating on unimproved values assist the health officer of the council, or is it as profitable for a man to own slums on valuable lands as under the old system?

Slums on valuable land would not pay. The owner must have suitable buildings commensurate with the value of his land to obtain a fair return on his outlay.

7. Is there any agitation against unimproved value rating?

No, not against the system: the question of obtaining the fair value caused some trouble at first, but a fairly equitable basis is now fixed and accepted by a large majority of the ratepayers.

8. Is there any way of evading the rate?—Not in our experience.

9. Has the condition of the building trade been generally satisfactory since its adoption?

The system does not much effect the building trade, save that probably it causes more building.

Question No. 10 (which was a request for an expression of opinion on the merits of the system). I enclose you a copy of a pamphlet prepared by Mr. Leslie Gordon Corrie, ex-alderman, and mayor of the city, which deals very comprehensively with the whole subject.

The pamphlet referred to by Mr. Marshall is a reprint of a report by Mr. Corrie, written at the request of the Government of Queensland, in a reply to a request for information made by the Secretary of State for the Colonies. Extract from this report will be presented herewith.

On a previous occasion, October 11th, 1898, Mr. Marshall expressed his opinion of the working of the new system as follows:—

“In 1891 the capital value of the land alone was taken (for rating), and that amounted (for Brisbane) to £8,806,999, upon which a rate of $\frac{3}{4}$ d. in the £ was struck.

“The object of this legislation was primarily to more equitably distribute the incidence of taxation, and this result has in the main been obtained. The old system of taxing improvements was undoubtedly defective, as being calculated to retard progress, and I certainly think our present system a distinct advance; vacant lands, and lands whose improvements are not in keeping with their situation, are now more heavily rated than was formerly the case, and this has had a decided effect in urging on building operations.

“Fully improved properties have benefited by the change, and likewise house properties, as, for instance:—a cottage property in the outskirts in 1890 was rated at £3 13s. 8d., and in 1891 at £1 5s.; another property in 1890 paid £6 16s., and in 1891, £5 5s.”

Mr. J. T. Isles, a member of the firm of Messrs. Love and Isles, auctioneers, Brisbane, President Brisbane Ratepayers' Association, wrote in September, 1906:—

“The principle in rating the unimproved value of land appears to me the

most equitable one, as all owners under this system are charged alike upon the basis of their holding in land.

"When rates are charged upon a rental basis, it appears to me that the owner who improves his land, and thereby presumably assists in the progress of his particular district, is penalised by having to pay higher rates; Whereas, if any penalty is to be imposed, it should be on the man who does not improve his property, but who benefits in the increased value caused by the improvements of other owners without additional expense to himself. The improved land values as the basis, however, gets at all equally, and appears to be a most just method."

An inquiry by the Secretary of State, sent out April 5th, 1906 (White book c'd 3890), caused the Government of Queensland to call for reports from the Treasury, as well as from Mr. Corrie, and to forward the same to the Secretary of State.

Mr. T. W. Connah, Under-Secretary to the Treasurer, reports:

"The effect of this land value taxation (rating) has been to depreciate the value of land held for investment or speculative purposes, and to stimulate the utilisation of vacant land where practicable, so as to obtain some return for the rates paid. The exemption of improvements from taxation has a tendency to encourage building operations. As regards the effect on rents, it is obvious that the rentals from improved properties can be lower with taxation on land only than they would have to be to give the same percentage of return if the improvements were also taxed."

Mr. Leslie Gordon Corrie, F. L. S., President Queensland Institute of Architects, ex-mayor of Brisbane, several times president and treasurer of the Local Authorities' Association of Queensland, an association of Local Authorities formed to "protect the interests, rights and privileges of Local Authorities," speaks with exceptional authority on all questions affecting the local government of his State. His report, therefore, is not only valuable through its contents, but also through the exceptional opportunities its author has enjoyed to form valid opinions.

Mr. Corrie reports:—

"In the year 1898 the Premier of Victoria requested through the Home Secretary, information as to Queensland's experience with unimproved land valuation. This being forwarded to the Association as the body best qualified to answer, the executive approved its secretary writing, on behalf of local government, altogether favourably concerning the system.

"The British Government seeking similar information last year, the request was referred by the Premier (Hon. Wm. Kidson) to the Association. Being then treasurer of the Association, the writer suggested the matter should be discussed at the coming annual conference. The executive, however, considered the matter to be so 'non-contentious,' the local governing bodies resting so satisfied with the principle, that it was undesirable to occupy the time of the conference in this connection.

"The exclusion of taxation upon property other than land was apparently

expected to lead to the promotion of improvements, while the application of the tax upon land only might reasonably have been expected to discourage land speculation. From the standpoint of Queensland city holdings it is believed that such expectations have been borne out.

“The case for comparison under the two systems (old and new) would have been simpler had the colony continued to prosper. * * * The new system, although introduced in 1891, cannot be estimated as in full operation until 1894-5. * * * At this period the colony was in the midst of the depression consequent upon the Australian financial crisis, with the result that, except in the instance of certain busy mining and other small centres, building was practically brought to a standstill. * * *

“Personal acquaintance with the operations of leading financial and building institutions, and with private firms and individuals dealing largely in real estate, both improved and unimproved, enables the opinion to be expressed that the absence of any tax upon improvements considerably relieved the tension imposed upon the holders of improved properties during the depression, and also encouraged building operations being undertaken at an earlier period, and to an extent that would otherwise not have happened.

“The tendency under the new order of things was to depreciate the values of unimproved lands, regarded as lands only. * * * and will always have a deterrent effect upon the holding of land for merely speculative purposes. In the light of Queensland's experience * * * the new system can be accepted as distinctly against the maintenance of fictitious values in land. The stimulation to improve land, owing to the appreciable rating of the same, is more clearly established whenever the outgo is very direct and visible, such as in the instance of highly-priced city land.

“The taxation of the unimproved value of land in any case, omitting altogether a tax on improvements, necessarily lightens the burden in the instance of improved properties. This should, and does, enable the rent charge to be lessened.

“It is a system neither borrowed by their legislators nor accepted by the people of Queensland ready-made from others, but one educed, as the gradual development of legislation proves, more or less sub-consciously, from the germ of the idea, which in its integrity is an excellent belief, viz., that a premium should be held out, or, at worst, no discouragement offered, to the improvement of the unexploited lands of a new country.”

THE New York State platform of the Independence League contained the following plank :

We demand a revision of our tax laws and favor an act permitting the exemption from local taxation of buildings and other real estate improvements to an amount not exceeding three thousand dollars.