



Property Taxation Survey —A Preliminary Attempt

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ONE of the most interesting trends in social and economic reform is the use of comparative international data. When it comes to property taxation, however, there seems to be little attempt in this country to draw on the experience of others.

It could be argued perhaps, that since the taxation of real property is so closely related to particular systems of political development, standards and methods will vary so widely as to be of little general value. On the other hand it can be reasoned that the subject has been neglected because of the strong emotional and political issues involved. While scientists throughout the world are engaged in exchanging research information on such widely different subjects as river pollution and intercontinental visual communication, there seems to be a serious lack of information exchange on property taxation.

Looking for some further explanation for the paucity of data it might be assumed that of all economic studies, that of the import of property taxation on national development is considered to be relatively insignificant; and some would even consider the whole concept alien to individual and social justice. In the words of Richard W. Lindholm, however, "Individual justice can be obtained if property tax is based on benefits enjoyed; social justice can be obtained if the tax takes account of society's right to benefit from the exploitation of natural resources and from land value increases arising from society's expansion in numbers and productivity."

Lately there has been a revival of interest in property taxation and its effect on urbanisation, particularly in the U.S.A., Australia, New Zealand and some developing countries. Even so, such discussion as there has been, has been mainly confined to the specialist literature and little attempt has been made to produce a consolidating work in simple language unadorned by copious footnotes on specific idiosyncracies of contemporary legislation.

In the hope of encouraging further work in this neglected field, a simple questionnaire was prepared and distributed in the first instance to diplomatic information offices of various countries. In some cases the task of tracking down the relevant department or authority directly concerned has proved difficult. Nevertheless, in spite of the simple approach, it has been possible to prepare a comparative chart of the main features of property taxation systems in thirteen countries. The tabulated results appear opposite.

A quick glance shows that neither Malta nor Greece have direct property taxation. In nearly all other cases property taxes are used for local government purposes,

are assessed by professional valuation officers on the capital value basis and are also raised on vacant urban sites. All countries use powers of compulsory purchase to some degree, nearly all have some form of town-planning or development control legislation and compensation tends to be paid on the basis of current market value.

The full description of the land registration system in Cyprus reveals that where the Federal Registration applies (about 2/5 of the island) cadastral plans on a large scale identify ownership parcel by parcel and give full detail of outstanding mortgages and subsidiary interests. Transfers may be secured in one day by application to the Land Clerk, who, upon receipt of a 4 per cent levy, will issue a certificate of transfer and record the necessary entry. Aliens may buy only immovable property owned by other aliens unless consent of the Council of Ministers is obtained.

In Sweden it appears that land value taxation has been the subject of discussion for many years but to date no action has been taken to exempt improvements from local taxes. In Barbados filed reports on changing the property tax system to one more closely related to land taxation are pending consideration. In April, 1967, property taxation reverted to the national government administering three tax districts.

Clearly a survey of this nature has serious limitations. Much has been learnt from the pilot project as to method of presentation of questionnaires and choice of words capable of international understanding. It is hoped that the work so far begun may be extended to build up a comprehensive reference file of foreign property taxation systems. The pilot study has shown the common links of interest and approach among a small group of countries. There is much scope for exchange of information in this field and real need to produce a model property taxation formula capable of adjustment to varied systems of land tenure, compulsory purchase procedures and planning legislation. From the tone of some of the replies it also appears that there is a need in some countries for a new vigour in property valuation techniques. There is also a need to make political representatives more aware of the potential income available from property taxation and the effects of alternative systems. In this respect South Africa, Australia and New Zealand are interesting, since in those countries local taxation is raised by rates on land only, in some areas, and on capital values in others. In the latter countries there is growing strength for the land based taxes but analysis of this movement deserves another study.

LAND & LIBERTY

A GENERAL COMPARISON OF PROPERTY TAXATION IN TWELVE COUNTRIES (Research by P. R. Hudson)

| Country | Annual Property Taxes | Local State National | Type of Assessment | Official Valuer | Tax on vacant land | Tax on agricultural land | Exemptions made for improvements | Tax on transactions | Compulsory purchase | Compensation paid | Compulsory sub division | Town planning legislation |
|------------------------|-----------------------|----------------------|--------------------------------|-------------------|--------------------|-------------------------------|----------------------------------|--------------------------------|---------------------|--------------------|-------------------------|---------------------------|
| BARBADOS | Yes | National | N.A.V. | Yes | Yes | Yes | None | Where public improvements made | Yes | Existing use value | No | Yes |
| CEYLON | Yes | Local | Details not received to date | | | | | | Yes | Market value | No | Yes |
| FRANCE | Yes | Local | N.A.V. | Details not given | | | None | Added value tax 4% | Yes | Near Market Value | Yes | Yes |
| CYPRUS | Yes | Local | Capital value, low assessments | Yes | Yes | No, unless admin. town scheme | None | 4% duty | Yes | Market Value | Yes | Under consideration |
| GERMANY | Yes | Local | Capital value | Yes | Yes | Yes | Yes social housing syndicates | Capital Gains Tax | Yes | Market value | Yes | Yes |
| GREECE | No | — | — | — | — | — | — | Percentage tax | Yes | Market value | No | Yes |
| ICELAND | Yes | Local | Capital value | Yes | Yes | Yes | No | Stamp duty | Yes | Market value | No | Yes |
| JAPAN | Yes | Local | Capital value | Yes | Yes | Yes | No | Capital Gains Tax | Yes | Market value | Yes | Yes |
| MALTA | No | — | — | — | — | — | — | Stamp duty | Yes | Market value | No | Yes |
| SWEDEN | Yes | Local | Capital value | Yes | Yes | Yes | No | Capital Gains Tax | Yes | Market value | No | Yes |
| CHILE | Yes | Local and National | Capital value | Yes | Yes | Yes | Some | Yes | Yes | Market value | Yes | No |
| ORANGE FREE STATE S.A. | Yes | Local | Capital value | Yes | Yes | Yes | Not where C.V. applies | Duty | Yes | Market value | No | Yes |
| NATAL S.A. | Yes | Local | C.V. and U.C.V. | Yes | Yes | Yes | Not where C.V. applies | Duty | Yes | Market Value | No | Yes |

N.A.V. — Net Annual Value, i.e. rental value of land plus improvements
 C.V. — Capital Value, i.e. land plus improvements
 U.C.V. — Unimproved Capital Value, i.e. land values only