

# TAXATION ON LAND VALUES IN NEW SOUTH WALES

By A. G. HUIE (Sydney)

New South Wales is the most populous State of the Australian Commonwealth. It has a State Legislature which raises a considerable revenue. It has also about 319 municipal and shire councils. Then there are such bodies as the Metropolitan Board of Water Supply and Sewerage, and the Hunter District Board of Water Supply and Sewerage. All of these, in addition to the Commonwealth Government, impose taxation.

In this article I propose to confine myself mainly to local taxation after making a few preliminary observations.

The Commonwealth imposes Customs and Excise duties, income, probate, amusement and land taxes. The last-named is on a graduated scale with an exemption of £5,000 on all estates, which however does not apply to estates owned by absentees. In this way about 60 per cent. of the value of all land is entirely exempt.

The State imposes income, probate, betting and stamp taxes. It also taxes motor vehicles, and derives revenues from licences to sell liquor, etc. In reality it also imposes another tax although it is not officially classed as such. A large sum, over £3,000,000, annually is paid as interest on the cost of State railways and tramways. It is now paid out of freights and fares, which are excessive. There is a growing agitation to have this interest charge transferred from the traffic to the values of land throughout the State, so that a corresponding reduction may be made in freights and fares.

The Municipal and Shire Councils impose rates almost entirely on unimproved land values, exclusive of all improvements.

The two Water Boards mentioned impose water and sewerage rates on the assessed annual value of all properties within their respective areas, with a supposed minimum of 5 per cent. of the unimproved value, which is regarded as the assessed annual value of vacant land. There are some lands in the City of Sydney with improvements, which are assessed at less than 5 per cent. of the capital value of the land. That, however, will soon be impossible, as a Land Valuation Act has been passed which will rectify that anomaly.

## DEFINITION OF "LAND VALUE"

"Land" is assessed at its selling value. The section of the Local Government Act is as follows:—

"The unimproved capital value of land (other than land held as described in sub-sections two and three of this section) is the amount of the capital sum for which the fee-simple estate in such land would sell, under such reasonable conditions of sale as a *bona fide* seller would require, assuming the actual improvements (if any) had not been made; and also allowing a reasonable deduction for profitable expenditure by the owner or occupier on visible and effective improvements which, although not upon the land, have been constructed for its drainage, for its prevention from inundation, or otherwise for its more beneficial use."

The exemptions are optional provisions: (1) in the case of coal mines of assessing the unimproved value at 3s. per ton on an average annual output of large coal and 1s. 6d. of small coal for the three preceding years, (2) in the case of metals on Crown lands at 20 per cent. of the average annual saleable value of ore or mineral won during the preceding three years. In the case of leased Crown lands the unimproved value is held to be twenty times the annual ground rent.

All municipal and shire councils have hitherto made their own assessments. In 1916 an Act was passed establishing a Land Valuation Department which will make the assessments, and Councils will get lists from it. The "Unimproved Value" in this Act is defined as follows:—

"The unimproved value of land is the capital sum which the fee-simple of the land might be expected to realise if offered for sale on such reasonable terms and conditions as a

*bona fide* seller would require, assuming that the improvements, if any, thereon or appertaining thereto, and made or acquired by the owner or his predecessor in title had not been made."

The definition in the Commonwealth Land Tax Assessment Act is in the same terms.

## DEFINITION OF IMPROVED VALUE

Improvements are not assessed as such but are assessed with the land as the "improved value." In the Shires or rural districts assessing the "improved" value is optional. As a result the value of the land only is assessed in 125 of a total 135 Shires. The definition of "improved value" in the Local Government Act is as follows:—

"The improved capital value of land is the amount of the capital sum for which the fee-simple estate of the land, with all improvements and buildings thereon, would sell under such reasonable condition of sale as a *bona fide* seller would require."

The Land Valuation Act and the Commonwealth Act are in slightly different terms, as follows:—

"The improved value of land is the capital sum which the fee-simple of the land might be expected to realise if offered for sale on such reasonable terms and conditions as a *bona fide* seller would require."

An important related provision in the Commonwealth Act is as follows:—

"Value of improvements," in relation to land, means the added value which the improvements give to the land at the date of valuation irrespective of the cost of the improvements:

Provided that the added value shall in no case exceed the amount that should reasonably be involved in bringing the unimproved value of the land to its improved value as at the date of assessment.

## DEFINITION OF ANNUAL VALUE

The definition of assessed annual value in the Local Government Act (this Act does not apply to the City of Sydney) is:—

"The assessed annual value of rateable land shall be nine-tenths of the fair average rental of such land with the improvements (if any) thereon; Provided that such assessed annual value shall not be less than 5 per centum of the unimproved capital value of the land, whether improved or unimproved." The Land Valuation Act is somewhat different:

"The assessed annual value of the land is nine-tenths of the fair average annual value of the land with the improvements (if any) thereon: Provided that such assessed annual value shall not be less than 5 per centum of the improved value of the land."

The Commonwealth Act does not provide for assessing the annual value.

## SIR JOSEPH CARRUTHERS' REFORMS

In 1904 Mr. (now Sir) Joseph H. Carruthers attained the Premiership in 1904. Unlike other Premiers he carried out his promises to the electors most faithfully. He passed the Shires Act, and the Local Government Extension Act, which were at once consolidated into the Local Government Act of 1906. Shire Councils were given one basis of rating—the value of land exclusive of all improvements.

The latest official returns are for the year ending 31st December, 1916. The unimproved value of the land in the 135 Shires in that year was £105,697,791 and the total amount of rates levied was £651,437. As the system is new, endowments and grants from the central Government are given to supplement the locally raised revenues. Ultimately, however, these will be discontinued, in most cases if not altogether. The total amount granted in 1916 was £331,434.

In the Municipalities Sir Joseph Carruthers had to proceed more warily. In most instances some Government expenditure for local works was being incurred in municipal areas. The State Government for its own purposes imposed a land values tax of one penny in the £ with an exemption of £240 dating from 1896. The local expenditure mentioned was transferred to the Councils together with power to collect the land tax as a rate, but the exemption was struck out. So far as the rest of the rate revenue was concerned Councils were given the option of imposing it on unimproved land values or on the improved value subject to a poll of the ratepayers if demanded.

Under the old system rates had been imposed on assessed annual values of properties which was nine-tenths of the fair average—actual or in many cases assumed—rental with a supposed minimum of 5 per cent. where land was vacant. In practice, however, persons could put a ring fence round valuable areas, and let it to a local dairyman for a nominal figure, or build a humpy on it and let it. In such cases owners paid practically nothing towards the cost of local services. The Carruthers Act ended this fraud by stipulating that the assessed annual value should not be less than 5 per cent. of the unimproved value. The Land Valuation Act is still more stringent and says 5 per cent. of the improved value. Municipal rating on the assessed annual value was abolished under the Local Government Act, but the system was continued by the Sydney and Newcastle Water Boards and by the City of Sydney under its own Act. The latter body finally abandoned it in 1916.

#### GENERAL ADOPTION OF LAND VALUE RATING

The rating provisions of the Local Government Act came into force in municipalities in 1908. A large majority of the Councils immediately decided to impose all their rates on land values only. In some cases Councils proposed to put part of the rates on land values and the balance on the "improved" value. Polls were demanded in a number of cases. All polls were decided in favour of rating on the value of the land alone. Where a Council desires to borrow money a poll of the ratepayers is required: (1) to authorise the loan; (2) to decide the basis of rating for interest and sinking fund. All such polls have been decided in favour of rating on unimproved land values. A proposed loan may be rejected, but the land value basis for the rate always wins. This is the more notable because landowners only are permitted to vote at a poll deciding the incidence of a rate.

In 1916 the value of land in all municipal areas, including the City of Sydney, was £89,266,947. The total rates imposed amounted to £1,639,091. In that year 151 Councils rated entirely on land values, while 34 Councils, most of them in country districts, rate partly on improved values. The amount of revenue so raised in most cases is small, as most of these improved value rates are for minor services of a more or less special character. Rating on improved values, however, is dying out. Councils are giving it up without even a poll of the ratepayers being required to make them see the justice and necessity of the land-values system. Where an improved value rate is imposed it only requires a little vigorous local opposition to kill it. In some cases an active man is wanting, in others the amount of the rate is so small that it is hardly worth bothering about. Throughout the State not more than about 1 per cent. of the local taxation is on improvements.

#### SYDNEY

The "city" portion of the capital—Sydney—was not affected by the Local Government Act. The demand for rating reform was so strong that in 1908 the City Council was given power to put its rates on unimproved values. It was also empowered to collect the penny land tax without an exemption, which it proceeded to do at once. It was soon found that there was a "joker" in the Act, and that it was impossible to apply it to the original city rate. So the Council imposed 1s. 9d. on the assessed annual value and one penny in the £ on the unimproved land value. The latter rate was increased to 1½d. in the £ in 1913. All efforts to get the "joker" removed from the Act were unavailing until 1916, when for the first time one consolidated rate of 4d. in the £ was imposed on the unimproved value of the land.

#### SOME EFFECTS OF THE CHANGE

Whether an owner is a manufacturer, merchant, or an ordinary householder is immaterial. If his use of land is efficient in proportion to its value he pays less in rates under the new system. It puts a premium upon effective use of land, and a penalty

upon the owner of idle land, or land with out-of-date improvements upon it. The best way to show its operation is by actual examples.

In a short typical suburban residential street in a thickly populated area there were 46 rateable properties. The local Council of the district seized the opportunity of a change in the incidence of the rates to obtain an increase of 48 per cent. in the yield of local taxation. In spite of that fact, the total rate burden on 39 of these properties was reduced by £11 2s. 7d. On four houses there was an increase of only 9s. 6d. and on three vacant areas an increase of £7 12s. 4d. On a dozen vacant areas in the same municipality varying in value from £80 to £2,000 the rates in 1907 on the rental value had been £22 12s. 11d. In 1908 on the unimproved value they were £132 12s. 2d.

In a sparsely settled suburb the results were of a similar character. On one side of a fairly long street there were 50 cottages and some vacant allotments. On the other side a big block of vacant land. The local Council increased the yield from local taxes in this case by 50 per cent. Here is the result:—

Property	Rates 1907	Rates 1908	Reduction	Increase
	£ s. d.	£ s. d.	£ s. d.	£ s. d.
50 Cottages ..	65 13 3	38 2 9	27 10 6	—
Vacant lots ..	4 9 1	17 11 9	—	13 2 8
Big vacant area opposite ..	13 9 8	48 15 0	—	35 5 4

Typical examples of how the change affected manufacturers may be seen in the following Redfern examples. The local Council in this case had increased the yield from local taxes by 20 per cent:—

Property	Rates 1907	Rates 1908	Reduction	Increase
	£ s. d.	£ s. d.	£ s. d.	£ s. d.
Boot Factory ..	36 0 0	20 16 8	15 3 4	—
" " ..	100 10 0	56 5 0	44 5 0	—
Factory ..	47 7 6	39 7 6	8 0 0	—
Ironworks ..	108 0 0	82 10 0	25 10 0	—
Boot Factory ..	54 0 0	30 4 2	23 15 4	—
" " ..	19 10 0	12 10 0	7 0 0	—
" " ..	15 10 6	7 6 8	8 3 10	—
Bakery, etc. ..	33 12 0	46 17 6	—	13 5 6
Factory ..	16 17 6	24 15 0	—	7 18 4
Stables ..	11 7 6	38 10 10	—	27 3 4

#### CHANGES IN SYDNEY

Here are examples showing the effect of the change in the City of Sydney. In this case the unimproved value rate was designed to bring in a similar revenue to the former dual rate of 1½d. on the unimproved value and 1s. 9d. on the assessed annual value.

Property	Rates 1915	Rates 1916	Reduction	Increase
	£ s. d.	£ s. d.	£ s. d.	£ s. d.
Strand Arcade ..	2,083 7 4	1,527 6 1	556 1 3	—
Chambers & shops	938 19 3	455 0 0	483 19 3	—
Office building ..	658 15 3	405 0 0	253 15 3	—
Shops, offices, etc.	628 15 0	416 13 4	212 1 8	—
Theatre ..	839 14 1	710 8 4	129 5 9	—
Picture Palace, etc.	766 1 10	663 4 4	102 17 6	—
Doctors' chambers	393 15 0	233 6 8	160 8 4	—
" " ..	368 6 9	140 16 8	227 10 1	—
Residential flats ..	229 0 0	35 10 0	193 10 0	—
" " ..	136 19 3	26 15 4	110 5 11	—
Warehouse ..	560 15 0	403 6 8	157 8 4	—
Drapery shop ..	642 3 6	462 10 0	179 13 6	—
Offices & shops ..	307 15 4	192 7 0	115 8 4	—
Office building ..	296 6 4	117 0 4	179 6 0	—
Theatre ..	464 12 0	329 3 4	135 8 8	—
Offices & shops ..	705 11 3	508 6 8	197 4 7	—
Theatre & hotel ..	1,030 2 0	1,360 0 0	—	329 18 0
Bank & offices ..	564 18 7	798 15 8	—	233 17 1
Warehouse & shops	1,179 7 6	2,013 6 8	—	833 19 2
Insurance offices	267 0 7	408 1 0	—	141 0 5
Warehouse ..	276 6 4	470 12 4	—	194 6 0
Company offices ..	537 10 0	733 6 8	—	195 0 5
Drapery shop ..	1,499 6 6	2,009 5 8	—	509 19 2
Bank & offices ..	680 3 3	977 10 0	—	297 6 9
Hotel & theatre ..	590 11 6	670 15 4	—	170 3 10
Picture show ..	301 15 0	473 6 8	—	171 11 8
Universal Pro-				
viders ..	2,907 18 0	3,250 0 0	—	342 1 3
Warehouse ..	550 16 6	866 13 4	—	115 16 10
Hotel ..	422 2 7	542 7 0	—	120 4 8
Newspaper office	752 10 0	1,166 13 4	—	414 3 4
Club ..	343 12 9	506 3 4	—	162 10 7
" " ..	602 10 0	1,000 0 0	—	397 10 0

Some of these increases are partly due to the fact that the assessed annual value was "generous." This method of assessment varies enormously. Where rents are actually paid the assessor works upon them. In other cases he simply makes a crude guess at it. At least that is all one can infer from the figures. The "Universal Providers" in the above list, showing an increase of £342 ls. 5d., is a glaring example, as the building is one of the finest in Australia and represents excellent use of the land. The sole reason for an increase in that case as well as others is due to the fact that the previous assessment on the annual value had been ridiculously low.

Where land was vacant in the City the rates were increased by 56 per cent. Here is an example: Vacant land value £30,000. Five per cent. is taken in such cases to be the assessed annual value. The rates in 1915 were £318 15s. In 1916 on land values only the rates were £500, increase £181 5s.,—or 56·86 per cent.

But the biggest increases were on "improved" properties which were assessed at less than 5 per cent. of the unimproved value. Though the land was used, yielding substantial rents in some cases, the rates were actually lower than they would have been if the land had been vacant (vacant land having been assessed on the basis of 5 per cent. of its selling value). Here are examples:—

Property	Rates 1915	Rates if site had been vacant in 1915	Rates 1916
	£ s. d.	£ s. d.	£ s. d.
Warehouse & shops etc.	1,179 7 6	1,278 10 0	2,013 6 8
Bank .. ..	1,168 16 6	1,190 0 0	1,866 3 4
Shops etc. ..	430 16 0	531 5 0	833 6 8
Hotel and shops ..	301 15 0	324 1 3	508 6 8
House and cow-run ..	139 18 9	199 3 6	312 10 0
House .. ..	103 8 6	146 4 3	229 7 4
Shops, etc. ..	378 7 3	425 0 0	666 13 4
Hotel .. ..	204 7 3	212 10 0	333 6 8
Club .. ..	602 10 0	637 10 0	1,000 0 0

In addition to properties of this character there were a number where the assessed annual value was in the neighbourhood of 5 per cent. of the unimproved value. Here is a notable instance. The best situated hotel in the city for a bar or drink trade is at the corner of George and King Streets. It is a very old two-storey building. Its assessed annual value is £5,327. Five per cent. of the bare value of the land is £5,275. So that the yearly rateable value of the improvements was only £52. Particulars as in the previous table are:—

Hotel .. £1,125 9s. 9d. £1,120 18s. 9d. £1,758 6s. 8d.

#### POPULARITY OF LAND-VALUE RATING

In the main portion of the city there are a number of old worn-out buildings, the only attractive thing about many of them being a new front. This class of property was specially favoured under the old rating system. Now that the rates are on land values there are many solid increments. These people made considerable outcry recently. One business man was foolhardy enough to urge a return to the old system. He put up for a vacancy in the City Council and was badly defeated. There are three solid reasons why the land value system has come to stay in the City of Sydney:

1. It is admittedly just.
2. It has reduced the rates of a large majority of the rate-payers throughout the whole area.
3. It is a great financial success.

The agitation, however, had the effect of securing a reduction in the rate from 4d. in the £ to 3½d. There would have been no reduction had the old system continued. The effective land user would have been penalised as hitherto without remorse. The land value rate has since been increased to 4½d. in the £.

#### EFFECTS ON VARIOUS PARTIES

**Manufacturers and Merchants.**—Where the use of land is efficient in proportion to its value, the rates are lower on a land value basis. But if the improvements are out of date the rates are higher.

**Owners of Improved Property.**—Same experience as in the case of manufacturers and merchants.

**Owners of Building Sites.**—Holding such sites vacant is less profitable because of a large increase in rates. Owners of vacant

sites constitute a minority of property owners. A majority hold land for use, not speculation, so where polls as to the incidence of rating have been taken the land users always win. Land-value rating pays them. The only way an owner of a vacant site can get relief is to utilize the land.

#### EFFECT ON RENTS

The tendency of rents, in spite of an enormous increase in building, has been to rise. The population of the metropolitan area tends to increase more rapidly than the country. That is one of the many vicious effects of a protectionist policy, which stimulates town industries at the expense of country producers. A sound rating system is only beneficial within its own sphere. It cannot cure the evils of wrong methods in use by State and Commonwealth. Here is a table showing the movement in population from 1908 to 1916 in N.S.W.:—

Year	Metropolitan area	Country districts
1916	764,600	1,078,780
1908	592,100	967,926
Increase	172,500	110,854

Taxed building materials and the growth of population have enhanced rents, although land has come into the market very freely since rating on unimproved values was adopted. The tendency of rents now, however, is downwards.

#### THE BUILDING TRADE

The best way to see the progress of the building trade is to look at the returns of the Sydney Water and Sewerage Board. They show building operations where water is available. Unfortunately the records as to cost were not kept prior to 1910:

Year	No. of new buildings	Cost of new buildings and additions
1903	3,869	—
1904	4,059	—
1905	3,597	—
1906	4,088	—
1907	4,188	—
1908	4,268	—
1909	5,332	—
1910	4,737	£2,597,510
1911	6,752	3,825,182
1912	8,862	5,432,734
1913	9,284	6,371,617
1914	10,546	6,775,548
1915	7,632	5,124,464
1916	6,283	4,479,118
1917	5,410	3,595,786
1918	4,998	3,726,896

Prior to the outbreak of war the building trade was in a most flourishing condition. It was difficult to get a house. The tendency was definitely to build a better class of house. The effects of the war upon the trade have been very severe. The cost has largely increased, thus forcing a tendency towards a cheaper style of house. So far as real estate agents are concerned the leading men with one exception were hostile. In fact they seriously attempted to stampede the public into demanding that rating on unimproved values should be abandoned when the rating provisions of the Local Government Act were being brought into operation in 1908. One man, however, pointed out that he thought it would be a good thing. Anyway the Act stood the shock and has proved a fine thing so far as legitimate real estate business is concerned. It has forced a vast amount of land on to the market, thus making greatly increased demands for the services of the real estate agent. It is good for business while being bad for land monopoly. In spite of this many real estate agents are hostile, showing that their interests as land speculators prevail over their legitimate business interests.



Here are figures showing the conveyances and transfers of real estate for twelve years for the whole State:—

Year	Consideration	Year	Consideration
1905	£6,865,053	1911	£21,028,304
1906	10,167,014	1912	23,882,472
1907	12,708,589	1913	20,804,791
1908	12,760,132	1914	20,198,440
1909	11,729,404	1915	15,003,451
1910	16,016,543	1916	15,558,706

#### HOLDERS OF MORTGAGES

Here are particulars over the same period of years:—

	1905	1906	1907	1908
Contracted	£ 9,654,201	£ 11,767,988	£ 14,506,671	£ 16,553,104
Discharged	6,451,383	10,339,208	9,409,055	9,095,226

	1909	1910	1911	1912
Contracted	£ 15,095,211	£ 17,065,944	£ 21,718,375	£ 25,962,512
Discharged	8,514,370	11,031,378	13,643,990	13,626,236

	1913	1914	1915	1916
Contracted	£ 23,208,362	£ 20,674,748	£ 16,049,750	£ 17,075,878
Discharged	12,044,228	13,855,251	11,851,816	10,157,147

#### WORKING CLASS HOUSING AND HOURS OF LABOUR

Since the adoption of rating on unimproved values a large number of workers have secured homes of their own. The easier conditions for obtaining home sites has been most helpful.

Details as to the housing of the people are taken at each census. The people were housed according to the last census as follows. In houses of one to three rooms 9·71 per cent. Four to nine rooms 80·07 per cent. Ten rooms and over 10·22 per cent.

The tendency so far as hours of labour is concerned is to reduce them. Unions in some cases are claiming, and getting, 44 hours per week. Rockchoppers and sewer miners work 36 hours. Eight hours were first adopted in 1855 for stonemasons. In 1871 bricklayers, carpenters and general labourers secured eight hours. Latterly a 48-hour week has been generally recognised. In practice it means 8½ hours from Monday to Friday and 4½ hours on Saturday, thus ensuring a Saturday half-holiday. Latterly the tendency has been to cut out the Saturday, and many factories work five days, with no work on Saturday.

#### FARMERS, BOTH OWNERS AND TENANTS

Prior to the passage of the Local Government Act in 1906 there was no form of Local Government in rural areas. Rating on land values began when that Act incorporated rural districts into 134 shires. The total area under cultivation in 1906 was 2,838,081, and in 1917 5,163,030 acres.

#### PUBLIC REVENUE

Rating on unimproved values was generally adopted as explained in 1908. The following comparison shows the growth of revenues for local services. The 1907 figures for the City of Sydney and country municipalities are for rates levied on annual values. The City of Sydney continued this system until the end

of 1915. The figures for the shires in 1907 are for unimproved values:—

	1907	1916	Increase
	£	£	£
City of Sydney Rates ..	182,939	520,537	337,598
Suburban and country municipalities .. .. .	452,484	1,118,554	666,070
Shires .. .. .	287,635	651,437	363,802
	£923,058	£2,290,528	£1,367,470

That increase, however, was swelled in two ways: (1) By the Council taking over expenditure formerly incurred by the State Government, as already pointed out; (2) because the new Act removed certain restrictions upon raising local revenue under the old Act. But apart from these considerations unimproved land values rating is the finest method of local taxation ever devised, judged from a purely financial point of view.

#### PUBLIC FACILITIES: SCHOOLS, ETC.

Education is a State service. The Councils have no more to do with our school properties than with other properties. There are, however, certain private schools chiefly of a denominational character. Some of those interested in them—not all—have asked to be relieved of the payment of rates. This has been strongly resented, and it is not likely that this form of subsidizing private interests with public money will be adopted. At present those who run a private school pay rates like other people and will continue to do so.

#### POVERTY

There will always be poverty where one man can own the land that others have to live and work on. Our population on December 31st, 1917, was 1,874,400. The expenditure by the State Government on hospitals and charities for the year ending June 30th, 1909, was £586,760, and in 1917 £1,025,248. The number of inmates in charitable institutions in 1908 was 6,879, and in 1916 6,549. The number of Old Age pensioners on June 30th, 1917, was 33,941, and Invalid pensioners 10,803.

#### AN EQUITABLE SYSTEM

In conclusion I wish to emphasise several points.

(1) By general consent rating on unimproved values for local revenue is the most equitable system. In fact, when it was adopted and its incidence understood, people wondered why it had not been adopted long ago.

(2) There is an agitation to give the Sydney and Newcastle Water Boards the same power to rate on unimproved land values. A Bill for that purpose passed the Legislative Assembly—the popular house—without a division in 1916. It was blocked in the Legislative Council or Upper House, where persons interested in city slums and suburban vacant land attacked it. A general election followed—but not because of this issue—and the matter must now be taken up afresh. The people want it, but land monopoly will delay it as long as possible. We hope to see the Bill passed this year.

(3) While rating on land values instead of improvements has done much good it only covers a small proportion of the field of taxation in this country. Last year the revenue raised from land values for local purposes was, say, £2,500,000. That represents one-seventh or perhaps one-eighth of the yearly economic ground rents of the State. So that while we raise one-seventh or one-eighth of our public revenue from the public land values fund—Nature's treasury—six-sevenths or perhaps seven-eighths still goes to private individuals. To make good that loss we have Customs, Excise, Income, Stamp and other bad forms of taxation. Such taxation is concentrated upon persons occupying and using land in proportion as such use is effective. Vacant land contributes no revenue under such methods of taxation. Our object is now to extend the land values system, thus broadening the basis of taxation, so that each portion of land will contribute its share in proportion to its value. In the case of local rating this will lessen the tax burden where land is fully used, and increase it where land is idle or partially used. In this way we can emancipate industry from every burden. As Henry George put it, "It will raise wages, increase the earnings of



capital, extirpate pauperism, abolish poverty, give remunerative employment to whoever wishes it, afford free scope for human powers, lessen crime, elevate morals, and taste, and intelligence, purify government and carry civilization to yet nobler heights."

So far as we have gone in New South Wales our practical experience of land values taxation justifies the claims of the Prophet of San Francisco, whose visit to New South Wales was largely responsible for the measure of success which we have attained.

## THE TAXATION OF LAND VALUES IN DENMARK

We are indebted to Mr. P. Larsen, Ølstykke, Denmark, and to Mr. Jørgen Pedersen, Secretary of the Henry George League, Vesterbrogade 21 (4), Copenhagen, for reports on the progress of the movement in Denmark for the Taxation of Land Values. From these reports the following account has been compiled.

### LAND VALUATION

In 1911 and 1912 some experiments with valuations separating land and buildings were made in the metropolis, in smaller towns and different places in the rural districts. In 1916 the whole country was valued, land and buildings separately. This was also a sort of experiment, as taxes were not to be levied according to the valuation and there was no right to lodge objections before the Central Board of Assessment. In 1920 the general valuation of real estate is to be repeated and land is to be separated from improvements. That valuation may be used for taxation of land values—according to the Minister of Finance, Mr. Edvard Brandes.

For the valuation of real estate the country is divided into 141 districts, each one having an assessment commissioner appointed by the Minister of Finance. The local element in the work is represented by two members for each township or city ward, appointed by the Town Boards or City Councils. These two members and the assessment commissioner form the Board of Assessment which, under the direction and guidance of the Central Board for the assessment of real estate, are doing the valuation work.

The landowners are in some degree called upon to assist in valuing real estate. At each general valuation every owner of real estate has to file out blanks giving details about area, the quality of the soil (Hartkorn), the number and quality of stock, the price at last sale, etc. Furthermore from the 1st of April, 1919, every sale of real estate that takes place is to be reported, together with the above-mentioned information, to the Central Board by the buyer and the seller. These reports are of great importance to the Central Board in order to enable it to direct the valuation and equalise the valuation of land and buildings in the different parts of the country.

Landowners who do not comply with the law or give false information are liable to fine imposed by the District Board under appeal to the Central Board.

As is understood, the assessment of real estate is a central affair carried on simultaneously over the whole country. The valuations were formerly made every tenth year but are now made every third year. Annual valuations would probably be the most feasible, in order that the assessment may follow market values as closely as possible.

According to law of 1918, the districts boards are, in 1920, to ascertain separately the value of the ground (the land) without buildings and with due regard to quality, site and the best economic use. The detailed rules for the valuations are given by the Minister of Finance. The standard for the valuation in rural districts is to be the value of a middle-sized farm and the land is to be valued according to that whether it belongs to a small holding or to a great estate. For that reason the market value principle cannot be carried through, as the land belonging to smaller farms bring a higher price than that belonging to large farms.

In the cities the land values correspond fairly closely to market prices in the case of small lots wherever sales have taken place. The big areas, however, which are lying idle for speculation, are usually valued too low, as it is difficult for the local valuers to understand that a man should pay taxes on his land whether he gets any income from it or not. In the metropolis the site values are also put at somewhat low figures compared to market prices.

The results of the 1916 valuation may be summarised as follows:—

	Total value, Land and improvements. Million Kroner.	Land Value.		
		Million Kroner.	Per cent. of Total.	Per Head.
Metropolis ..	2,010	744	37.0	1,063
Country Towns ..	1,473	467	31.7	774
Rural Districts ..	4,454	2,473	55.5	2,112
Total ..	7,937	3,684	46.4	1,261

(18 Kroner = £1.)

In the country districts the value of certain improvements such as draining, fencing, irrigation, etc., have not been deducted from the total value, and the assessment of land value is vitiated to that extent.

On the whole, it may be said that the Danish land valuation is not at all perfect. It is hoped it will be improved in 1920, and that revaluation then will also take into account the great increase, especially in the value of rural land in recent years.

### MUNICIPAL AGITATION

In the beginning of 1919 the Radical-Liberal and Social-Democratic members of the municipal councils of Copenhagen and Frederiksberg have worked out a proposal to the effect, that the two municipalities adopt a tax (rate) on ground values, and an increment tax.

The most important items of this proposal are:—

That the present different real estate taxes—area tax, ground tax, pavement tax, real estate duty—are to be abolished and, from April 1st, 1921, replaced by one single tax on ground values, supplemented by an increment tax on land values.

That the ground value tax shall be fixed by the municipal councils and must not exceed 2 per cent. of the ground value.

That the ground value is to be fixed by valuation according to law of December 21st, 1918.

That the increment tax, which shall come into force from April 1st, 1924, must not exceed 1½ per cent. and is to be calculated in accordance with the land values increment that has taken place since the valuation of 1920, the amount increasing or decreasing according to future valuations.

The proposal was debated in the municipal council of Copenhagen on May 8th, 1919, and in the municipal council of Frederiksberg on June 30th, and a committee has been appointed to investigate the matter.

There is reason to expect that the Government itself will, in the present session, propose a Bill giving all municipalities in Denmark power to substitute their real estate duties by a ground value duty and to levy an increment tax on land values, all in accordance with the proposal for Copenhagen and Frederiksberg.

### PARLIAMENTARY COMMISSION

In 1910 a Parliamentary Commission was appointed for the purpose of making an inquiry into the municipal taxation systems, especially regarding the proportion between personal taxes and taxes on real property, and to consider the expediency of land value taxation for municipal purposes.

To this Commission, which reported in 1913, were appointed several well-known Single Taxers. One of them, Mr. Berthelsen, Høng, made a special report of 75 pages, containing a thorough investigation of the tax problem from a Georgian point of view, followed by an elaborate account of the results of land value taxation in America and Australia, and a description of the different valuation systems employed in these countries.

### ATTITUDE OF THE POLITICAL PARTIES

The *Conservative Party* programme contains the following item:—

"We will combat the Georgian taxation system, with its claim of a Single Tax on land, as being unjust and impracticable in an old society such as ours."

At a conference of delegates, January, 1916, the *Moderate Party* adopted a communication to the voters, in which it says:—

"With regard to a reform of the present real estate duty, a separate valuation of the land ought to be introduced so that it be possible to lay equal taxes on equal lands. A land value increment duty for State and local purposes ought to be