

Local Authorities and Planners Favour the Land-Value Tax

IMPORTANT ASPECTS of urban land policy were discussed at a conference held in Vienna from February 27 to March 1, organised by the International Union of Local Authorities and the International Federation for Housing and Planning.

The report of the Conference by the Secretaries sets out a comprehensive picture of the various problems of land policy and the measures to cope with them that were discussed.

It was recognised that depending on the political, social, legal, geographical and technological conditions, the measures of land policy would differ from country to country.

Analyses, up-to-date information, data on ownership, movements of the land market etc. were of paramount importance and should be continuously up-dated and made *known to the public*.

The report discusses the problems of reconciling the interests of private landowners and those of the community.

Under the heading "Measures Promoting the Use of Land in the Best Possible Way" were: (1) The charging of servicing to landowners as early as possible — in fact, just as soon as servicing is finished whether or not the land is already used according to plan. This contribution should serve two purposes. First the landowners would be induced either to build or to sell to builders, and secondly, local authorities could recover their expenses as a contribution towards the costs of infrastructure serving the town as a whole. (2) A land-value tax. On this subject they say:

"The annual tax levied so far in many countries on land, including the buildings erected on it, ought to be levied exclusively on the value of the land. Only in a short transitional period is a separate valuation of land and buildings, with a higher tax rate for the value of the land and a lower rate for the buildings, conceivable. To achieve the desired effect of taxation on the land market, the taxing of buildings should be abolished as quickly as possible.

"The basis for the determination of the amount payable is in principle the market value of the land. This market value is established at short intervals via checked estimation by the owner himself. The compensation paid in case of expropriation should tally with this value. The annual land-value tax is intended to bring about the best

possible use of the land consonant with planning, to make the speculative hoarding of land uneconomic and, by increasing the supply, to render a better spread of private landowning possible.

"The land-value tax permanently restores to the community a part of the value of the land that has been created by the community without the owner doing anything towards this."

A land betterment tax is considered, and its defects discussed, together with what is described as "planning value equalisation". This tax is levied on the owner or other entitled user and is connected with the increase in value of a plot of land as a result of an urban planning measure and consists of the difference between the value of the plot without taking the new possible use into account, and the new market value. It falls due as soon as the new use becomes a legal and actual possibility. This particular tax is contrasted with the land betterment tax in that the latter falls upon the difference between two different valuations, and appears to be not specifically tied to the granting of planning permission.

Special levies or selective promotion of certain land uses is another proposal that was examined. Levies would be selective in that they would fall upon special uses of land so as to encourage or discourage specific uses. Pre-emption rights of the acquisition of land by local authorities and expropriation were subjects also discussed at the conference, and it was concluded that the effective use of these powers could be too strictly limited or even prevented if the value of the land to be acquired is not assessed in accordance with the principle that the local authority should not have to pay for increases in values brought about by public investment and by land allocations made in the physical plan.

The ramifications of land use and taxation have been the subject of many conferences and seminars, and it is useful that various alternatives are examined, together with the workings of various measures in other countries — particularly where these have been shown to be ineffective or bad in practice. It is good to see that some attention has been given to the economic incentives of land-value taxation, and also to the need to derive revenue from land-values where the private owners of land have been the recipients of the enterprise, both public and private, of the community generally.