

## Local Taxation in Denmark—Copenhagen Land-Value Rate Increased

On December 22, 1954, the Danish Parliament passed a short Act making certain amendments in the law relating to local taxation. Most important is the provision abolishing the limit which the law had set to the levy of rates on land values in Copenhagen and Frederiksberg. These two cities adjoin one another, making really one city, although each is governed by its own city council. The limit in the case of Copenhagen had been that the land-value rate could not rise above 7.50 per thousand (say 1.8d. per £) and in Frederiksberg not above 9.02 per thousand (say 2.16d. per £) of the capital value. These limited optional powers had brought the rate to 7.50 in Copenhagen and to 8.40 in Frederiksberg.

But as soon as the Act was passed abolishing the legal limits, the City Councils met and resolved to take advantage of their new freedom by raising the land-value rate in each case to 12 per thousand, which corresponds to 2.88d. per £ of the capital value. Copenhagen is governed by a Social Democratic majority and Frederiksberg by a Conservative majority, and it is significant that both parties took the same line.

With this increase in the land-value rate, the separate rate levied on the assessed value of buildings is also increased and now becomes 9 per thousand, whereas before the change the "building rate" was 5.62 in Copenhagen and 6.30 in Frederiksberg. Under the prevailing law—not affected by the above mentioned amending Act—the structure of the real estate taxation in Denmark is such that these two rates, on land values and on building values, run together in a given proportion. Accordingly, the recent change does not involve any transfer of rates as between land-values and building-values. The revenue from these two rates taken together has been increased and that should make possible corresponding reduction in the burden of the local income tax.

In these respects the amending Act applies only to Copenhagen and Frederiksberg. As for the rest of the country and the extent to which the rating of land values applies, it may be helpful to give the following general picture.

### GENERAL POSITION SUMMARISED

Under the legislation originating in the Act of 1926, the local authorities derive some part of their revenues by rates levied on the capital value of real estate (land and buildings) the balance being obtained from personal taxation mainly in the form of local income tax. The real estate taxation is made up of (a) rates levied on the value of land alone and (b) rates levied on buildings, but at a lower percentage and with a given amount of building value exempted from taxation. In the cities, provincial towns and rural parishes, the rate on buildings is three-quarters of that levied on land values, and in the counties it is three-fifths. The building value exemption (for any property) in the cities and towns must be at least 12,000 crowns and at most 21,000 crowns\*; in the rural parishes at least 9,000 crowns and at most 11,000 crowns; in the counties at least 9,000 crowns and at most 12,000 crowns. In addition, there is the 2,000 crowns building value exemption in respect of every separate dwelling (e.g., flats) which any building may contain in excess of one.

As for the amount of revenue which the several classes of local authorities may derive respectively from real estate and from personal taxation, the legal provisions vary.

\* Convert into sterling at (say) 20 crowns=£1.

The *counties* are not permitted to levy any personal taxation; and the special deductions they must make in the way of building value exemption are so generous that county taxation rests almost entirely on land values.

The *rural parishes* are given a very wide option in choosing how much to take through real estate and how much through personal taxation. To-day about 30 per cent of their revenues comes from land-value rates and 10 per cent from rates on building values; and the land-value rate in the country districts averages 4.2 per cent, equivalent to 10d. per £ of capital value. In view of the exemptions of building value already described very many of the homes and other buildings in the country districts are completely exempt from local taxation.

The *provincial towns* are handicapped. There appear to have been peculiar reasons, when the 1926 Act was framed, for the narrower facilities which the legislature gave to them. They were so restricted that they could not take more in taxation from real estate than corresponded to one-sixth of their revenue from all sources. Most of them have made as full use as they could of their power to apply the rating of land-values and the average rate among them is 6.14 per thousand, equivalent to 1.47d. in the £ of the capital value.

On the other hand Copenhagen and Frederiksberg under the new amending Act as already stated have been given the same optional powers as the rural parishes have all along enjoyed. Why this Act failed to extend its provisions to the provincial towns is a question deserving attention.

It is to be observed that over all this *local* taxation of land-values there is the *national* land-value tax which was instituted by the Act of 1922. It applies in town and country alike at the uniform rate of 6 per thousand, equivalent to 1.44 per £ of the capital value.

### YIELD OF LAND-VALUE TAXES

What then is the total of revenue obtained in Denmark by means of taxation levied on the value of land apart from improvements, and can it be expressed in terms of annual value? It can be roughly calculated from the figures given in the latest (1953-54) official returns:

	Crowns	Crowns
Aggregate assessed land-value...	8,545,995,000	
Corresponding annual land-value on 5 per cent basis ...		427,300,000
Add the annual revenue (1953-54) collected by land-value taxation (including 16,000,000 tax on increased values) ...		307,600,000
<i>Total, making the annual land value out of which the land-value taxation is paid ...</i>		<u>734,900,000</u>

The sum 307,600,000 crowns is 41.8 per cent of the sum 734,900,000 crowns. It appears then from this manner of stating the case (which admittedly leaves various considerations out of account) that the land-value taxation in Denmark takes 41.8 per cent of the annual land-value of the country; and as 41.8 per cent is 8s. 4d. for every twenty shillings, we can say, speaking in terms of *annual* value, that land-value taxation in Denmark has been carried to the point of collecting 8s. 4d. in the £ of the economic rent of land. But these figures are based on the periodic valuation of 1950 which are known to be well

below the actual selling value of the land. The 1955 periodic valuation is now being undertaken and it will be interesting to return to this kind of calculation when its results are made available.

### Opportunities in Victoria

Ratepayers in six municipalities in Victoria will have the opportunity in August of voting for the adoption of land-value rating. Petitions for polls to be held were lodged by a specified date (January 28) in respect of the following places: Malvern City, Castlemaine Borough, Broadmeadows Shire, Keilor Shire, and Cobram Shire, the petition in the case of the latter having been sponsored by the local Chamber of Commerce. By resolution of the Council, Mansfield Shire has decided to change over to land-value rating. Consequently no poll will be necessary. Reporting this the Melbourne journal *Progress*, March issue, remarks that there is a likelihood of other Councils taking similar action before June. Canvassing will continue during the summer in Doncaster-Templestow Shire and a petition for a poll to be held in 1956 will be presented in September. Other petitions may also be presented then.

### Active Italian Vice-President

Dr. Natale Pulvirenti, principal of the "Ethos" Technical College in Milan and a Vice-president of the International Union for Land-Value Taxation and Free Trade had a timely article in the January issue of the magazine *L'Officio Moderno*, published in Rome. A director of this magazine is the Hon. Tremelloni, the Italian Minister of Finance. Dr. Pulvirenti took as his title "Henry George—or Concerning the Just Tax." He began by referring to the new additional taxation which had been imposed to provide increased salaries to the staffs in government departments. "Thus," he said, "the employer 'the State' passes on the new heavy burdens in its budget to its patient 'customer,' the taxpayer. In his turn the latter will try to pass on the burden to his own customer, the importer to the exporter, the manufacturer to the wholesaler, the wholesaler to the retailer and the retailer to the ultimate consumer.

"Are we then to have for ever this vicious circle like a dog chasing its own tail—with wages pursuing the cost of living, prices increasing in geometrical progression while wages rise only in arithmetical progression? It is notorious that with a 10 per cent increase in money wages, there goes a 40 per cent increase in the cost of living.

"The Minister of Finance, whose name is linked with the historic parliamentary investigation in thirteen volumes, though aware of remedies other than the usual palliatives worn out by use, evidently cannot shake himself free from these.

#### SLUMS, POVERTY AND SPECULATION

"The social condition diagnosed by the Hon. Tremelloni and the M.P. Vigerelli, which has revealed the existence of millions of Italians who still live in wooden shanties, or five to a room, and who cannot afford sugar, meat, wine and other necessities of life, certainly deserves a radical cure. The remedy for social ills cannot be one that provokes a further rise in costs.

"It is known that there is being studied legislation to deal with the industrial areas. Press and radio have told us that such areas have in five years increased the value of land ten-fold in Rome, and five-fold in Milan. That means that the man who in 1947 invested ten million lire

in the purchase of land in Rome has seen the value of that land increased to 100 million in 1951. The profit of the 90 millions is exempt from tax. There are hosts of speculators legally exempt. Is it moral to exempt those who (so profiting) give no value to the land, who neither build on it nor cause it to be built on?

"In his masterpiece *Progress and Poverty* (translated into many languages) Henry George shows why riches are always accompanied by poverty and most obviously in urban centres. The growth of population causes an increase in the value of land. This increase in value does not go to those who created it, but to the landowner, who does nothing to give the land any value . . . Local authorities and states should raise an annual tax on the actual real value of land, the revenues from which should serve for the expenses of administration of the community, without recourse to the taxes on industry and trade. In other words, the tax ought to replace those which bear on labour, and George shows that this land-value taxation cannot be passed on to the ultimate consumer as is the case with all other taxes."

Dr. Pulvirenti concluded his article with apt quotations from *Progress and Poverty*, described how the cause is being advanced in a number of countries, naming in particular the International Union's work and that of the Henry George Schools; and he recalled the recent series of talks in Esperanto from Radio Rome under the title "The Prophet of San Francisco." Also appended to the article was the full text, in Italian, of the International Union's "Declaration of Human Rights Based on Equal Freedom." A similar extensive article by the same author was published in the January issue of the Milan financial paper, *Finanza Nazionale*. By appearing in such influential periodicals these articles form a valuable contribution to public discussion, for which the author deserves to be congratulated.

In a covering letter, Dr. Pulvirenti mentions three classes conducted by him at his College where his pupils were made interested in the principles expounded in *P. & P.*, the *Henry George News* of U.S.A. and the French journal *Terre et Liberté*.

### Campaigning in Pennsylvania

Businessmen in Pennsylvania were recently invited by Mr. George F. Hellick, writing on behalf of the Graded Tax League in that state, to study the benefits to be derived from levying local taxation on the value of land with consequent relief of buildings, machinery and other improvements. Such taxation would attract industry, give greater security to home owners, and preserve economical home rule. A number of documents supporting these contentions were sent as enclosures.

One described the Graded Tax legislation in the "second-class" cities of Pittsburgh and Scranton whereby since it came into full effect in 1925 (it was introduced in 1913) the city tax rates on buildings have been imposed at one-half of the rates levied on land values. Similar but superior enabling powers had been conferred in 1951 on the 47 "third-class" cities, without setting any fixed ratio between land value and building taxes, so that they are free, if they wish, to go further than the two second-class cities in relieving buildings.

Most pertinent was the extract from the 1951 report by the Scranton City Controller, George C. Beck, which included these words: "If the people of Scranton wish to escape continuing penalty on their productive efforts, the public revenue should be taken more largely from the