

"ETHICAL, EXPEDIENT AND EQUITABLE"

Land-Value Rating so described in New Zealand Official Report

There is a good prospect of a further notable advance being made in New Zealand. The three-member Local Government Commission appointed in December, 1954, to inquire into rating problems generally has completed its work. Its Report signed by A. A. McLachlan, Chairman, and Messrs. G. A. Monk and G. Turkington, was submitted to the Minister of Internal Affairs on June 28.

The Commission reported that there is in New Zealand a general trend towards the land-value rating system, and that where rates are levied on the assessed capital value of land and buildings taken together there are grave and serious anomalies. Nevertheless, in their view, the rating of land values as at present in practice is not without certain drawbacks and anomalies.

A key passage of the Report reads: "The Commission is satisfied that the site-value system is not only more ethical, expedient and equitable than the existing system, but would occasion only the minimum of anomalies which could be taken care of in the main by means of the existing 'hardship' provisions in the Rating Act."

Quoting from the Summary of Recommendations (of which there are nine) the following are of the greatest interest and importance:

1. That there be one uniform rating system applicable to both territorial and *ad hoc* local authorities;
2. That this system be based on site values;
4. That the Valuation Department should revise site values every two years and capital values every six years;
9. That local authorities at present rating on "annual value" [that is, of the composite subject, land and buildings.—ED. L. & L.] be given the option of either a period of five years in which to make the change-over to site value or of seeking special empowering legislation to continue rating on "annual value" until their ratepayers carry a poll for a change-over to rating on site value.

The other recommendations relate largely to matters of assessment and to appeals. The definition of site-value which the Commission recommends should be adopted is open to criticism and it is to be hoped that it may receive careful re-consideration by the responsible Minister. It provides that "such invisible improvements as stumping, clearing, felling, grassing, levelling and drainage would be added to the so-called 'virgin values,' but not fencing or erections of any kind, which should continue to be classified as improvements."

This recommendation represents an unfortunate departure from the fundamental principle on which the case for land-value rating rests and is upheld, namely, that the work of men's hands being properly the private property of those responsible for its existence should not, and need not, be taxed, and that public revenues should be taken only from the publicly-created fund of land-values. Implementation of the definition recommended would necessarily involve discrimination in favour of some and against others, and some degree of hardship resulting therefrom would be inescapable. It would mean, for example, that while a man's labour spent on erecting buildings, fences, etc., would be tax-free the product of his neighbour's work in clearing and draining his land would be taxed. Clearly this is not just.

The problem has been solved satisfactorily in Denmark. Mr. K. J. Kristensen, the chief of the Danish Valuation Department, explained the practice in his country in the

paper* he delivered at the International Conference on Land-Value Taxation held at St. Andrews last year. He wrote:

"Assessments include, with the land value, improvements that merge in the land, such as draining, levelling, irrigation work, etc. (in the case of agricultural land), and expenditure for streets, sewers, etc. (in the case of urban land); but the owner in every case has a right to claim a tax-free deduction of a sum representing the cost of the improvements provided that the improvements have been made within thirty years preceding the date of the valuation and provided that the cost has not been defrayed through the increased return due to the improvements. This allowance of the tax-free deduction may never, of course, exceed the added value given to the land by the improvements at the time of valuation."

Exception may be taken also to another departure from principle recommended by the Commission. This is that local authorities should have the right to reduce "site values" (or, more correctly, site-value assessments) by not more than 50 per cent in particular cases, such as urban farm lands, and to increase "site-values" by not more than 50 per cent in other instances. A moment's reflection suffices to illustrate the unfairness of that proposal. Take the case of two pieces of land, each worth £100 to buy. The assessment of the first could be reduced to £50, the assessment of the second could be increased to £150. Rates on the second would be three times as great as those on the first. Such discrimination would play havoc with the market price of land, conferring handsome bonuses on some landowners, and distorting the whole pattern of development, because rate-privileged land would become more expensive to buy, while other land would be cheapened. It is of paramount importance that the principle of an equal tax on equal land should be rigorously upheld.

Our criticisms are offered in a helpful and constructive spirit. They are points such as could be considered during the Committee Stage of a Parliamentary Bill. They are not intended in any way to minimise the importance of the work and findings of the Local Government Commission. Whether or not the New Zealand Government acts on the Report, its publication is bound to have a very considerable effect in that country in the future. For land-value advocates in Britain and other countries there is considerable propaganda value in the Commission's principal recommendation, and in its notable declaration that land-value rating is "ethical, expedient and equitable." What better reason could there be for its adoption? We offer congratulations to our colleagues in the N.Z. League for the Taxation of Land Values whose assiduous propaganda during recent years has evidently been not without some influence.

Successful Rating Poll

Our correspondent in Auckland, Mr. G. M. Fowlds, sends news of a three-to-one decision in favour of adopting land-value rating. A poll of ratepayers was taken on July 7 in the County Township of Beachlands, and voting was:

To adopt L.V.R.	Against
247	80

Beachlands is the fourth township in Manukau County (adjoining the south-east of the Auckland urban area) to adopt land-value rating. The county itself rates improvements.

* *Land Valuation and Land-Value Taxation in Denmark.* From our offices, price one shilling.