

## WESTMINSTER Property tax

MARGARET Thatcher's poll tax was so unpopular, that the politicians could not wait to get rid of it. And in the rush to reintroduce a property tax - called the Council Tax - Britain's home-owners fell foul of a crude assessment procedure.

Now the National Audit Office - parliament's financial watchdog - reports that there were two million errors in the placing of properties into valuation bands. About 900,000 homeowners are paying too much tax, while 1.1 million - about 5% - are not paying enough.

Auditors report that nearly all the 914,000 appeals against assessments are asking to pay less, but a small minority want to pay more so that their homes can be sold at a higher price!

Half the work of valuing properties was contracted out to private estate agents and surveyors. Many of the complaints stem from the fact that 90% of the valuations were carried out by people who never left their office.

Even so, concludes the Valuation Office, this means that over 19 million properties were placed in the correct band. But this is in large measure the result of good luck: the bands are so wide, that it would be very difficult to have turned in a worse result. For example, Band G embraces properties ranging in value from £160,000 to £320,000. The top band, H, is for all properties over £320,000.

\* Tax dodgers: Britain's black economy is running at between £36 - £48 billion, according to calculations by the Inland Revenue. The tax man has a special team of inspectors who go round the

streets, peering over fences and examining the quality of cars parked in drives, to figure out if assets owned by owners are consistent with their declared taxable income.

## MOSCOW Landlords

A PROPERTY speculator in Moscow is planning to buy 400 cheaply-priced homes on Britain's southern coast to let at premium rents. He represents a consortium of Russian landlords who have identified cheap properties in the seaside towns of Kent as a profitable investment opportunity. He plans to pay with US dollars.

\* US federal prosecutors report that KGB spy Aldrich Ames had been provided with land in Russia. Ames, 52, had photographs of the property on which he planned to build a retirement dacha. He and his wife Maria, a co-defendant, have been refused bail. They are not expected to take up residence in Russia for some while.

## HONG KONG Housing crisis

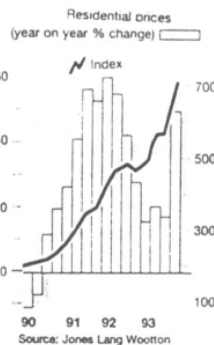
THE COST of apartments in the Crown colony has reached crisis proportions and leading to social unrest. At the top end of the market, prices rose by up to 38% last year, with price rises of about 20% in other parts of the colony. This has led to record prices for land.

One company has just paid HK\$2.26 billion (£197m) for 7,000 square metres of residential land near Kai Tak airport. The company hopes to sell modest 500 square foot apartments at a cost of HK\$4m (£348,000).

These boom conditions "could end up in public disturbances," according to one politician, Martin Lee, leader of the minority United

## Democrats Party.

The government realises that there is a need to speed up the supply of land, but such a strategy is constrained by a deal with Peking. Under the 1984 Sino-British agreement, under which the colony reverts back to China in 1997, the supply of land has to be limited to 50 hectares a year.



But the restriction on supply has pushed up prices to the point where companies are now speculating in land. This has resulted in a warning from China's Hong Kong and Macau Affairs Office, the director of which has warned Chinese companies not to dabble in property speculation. He said: "There are some companies who think if they lose money they won't have to foot the bill themselves. This means they push the property prices up very high indeed."

## TOKYO Bail-outs

BANKS want taxpayers to pick up the bill for the sour loans to land speculators. The financial system is in a constant threat of collapse due to the massive loans that ought to be written off, but Japanese banks are reluctant to make such a concession.

Gaishi Hiraiwa, chairman of the Keidanren, the leading business federation, has thrown his weight behind the proposal

that public funds should be used to take over the banks' bad loans.

The banks complain that they are unable to sell land held as collateral because the property market is "dead". Commercial vacancy rates have now reached 50% in areas that were the target of land speculators.

## SEOUL Secret funds

A PRESIDENTIAL decree banning tax dodges is giving South Korean officials a headache. Investors use false names to conceal their financial transactions. This makes it more difficult for the government to put a brake on land speculation. Officials are now examining property deals in the hope of preventing secret funds being pumped into land deals.

## BEDFORD Heritage for sale

BRITAIN'S aristocracy has not been immune from the recession. Some of the oldest families are having to sell their treasures to pay bills.

When Hinwick House in Bedfordshire was put up for auction in March, it ended 500 years of continuous occupation by the Orlebar family.

But few aristocrats can match the record of the Marquess of Bristol, who spent £7m in 10 years, according to his lawyer in a trial last year. The marquess ended up in prison for possessing cocaine and heroin. Much of the money was raised from selling land. Now, he is selling more of his heritage. An advertisement in *Country Life* offers 2,150 acres of his West Suffolk estate for sale. His agent says that the marquess's connection would boost the land's value. The sale is expected to raise about \$3.5m.

# News in Brief