No Case Against S.V.R.

The United Committee submitted to the Secretary of State this reply to the findings of the Layfield Committee of Enquiry into Local Government Finance.

THIS paper is submitted in response to the Secretary of State's request for observations on the Layfield Report. The United Committee's comments are concerned with the arguments against site-value rating set out in Annex 21 to the Report which concluded that a tax on site values would not be a suitable or firm enough base for raising local revenue. The United Committee rejects this view which, among other things, runs counter to the practical and successful experience of site-value rating in Australia, New Zealand, Denmark and other countries.

Well documented evidence exists to affirm that site-value rating is a suitable alternative to the present rating system, and that it is a form of taxation which has grown in popularity and acceptability over the years (witness the results of preference polls in Australia and New Zealand).

In rejecting the taxation of site values the Report drew attention to two earlier reports on this subject. One of these, "The Rating of Site Values—Report of the Committee of Inquiry, 1952" (The Simes Committee) recommended that a pilot survey should be undertaken to establish the amount of revenue which a site-value tax might yield. Since that time two pilot valuations for site-value rating have been made at Whitstable in Kent under the auspices of the Rating and Valuation Association and the Land Institute. The Layfield Committee acknowledged the work which has been done but concluded that "before final decisions could be taken, a much more thoroughgoing practical study of the operation of site-value rating would be needed . . . . This study would be likely to take several years to design, carry out and appraise." From this remark it is clear that the case against site-value rating is subjective.

The United Committee would welcome further study and considers that such work should rank highly for research investment by the Government or foundations.

In short, the Report of the Layfield Committee has not added to the fund of knowledge concerning the rating of site values but has put forward a few opinions on considerations of local accountability, the structure of a site-value tax base and some relatively minor practical issues. Before we examine these we wish to draw attention to the Layfield Committee's concluding statement that, "The proposed Development Land Tax and the Community Land Act effectively remove site-value rating from consideration." Nothing could be further from the truth.

Both the Community Land Act and Development Land Tax are concerned with fixed events. The first enables the local authorities to acquire land to meet planning needs while the second imposes a tax on financial gains realised as a consequence of planning decisions. Site-value rating is concerned not with specific acts or events in the development process but with collecting part of the continuing stream of land rent actually realised or imputed from day-to-day. As long as freehold land ownership remains, there will be a taxable site-value base. With site-value rating, the financial burden of acquisitions under the Community Land Act would be lessened and the Development Land Tax could still operate. Indeed, with the introduction of site-value rating there would be a tax incentive to develop sites which do not feature in the planned acquisition programmes.

Both the CLA and DLT could be subject to repeal in the same way that the financial provisions of the 1947 Town and Country Planning Act were, and there is no evidence as yet to suggest that the latest legislation will be any more successful in prompting desirable development and recouping development gains.

By acting as a spur on land development potential, a site-value tax would have a stimulating effect on the property market. It must be stressed, however, that this would be no more than a valuable by-product of site-value rating. Sites with development potential are likely to account for only a small proportion of sites in the country.

The Layfield Committee considered that a tax on site values would do little to promote local accountability in that in some cases the tax would fall on absentee site owners having no direct relationship with the local authority. A similar argument could be raised against the present rating system so far as the rating of empty properties is concerned and is equally applicable to business premises except in the case where a business occupier also resides in the same local authority area in which the business premises are situated. The Layfield Committee further held the view that in the case of rented residential property the site-value rate would form part of the rent, and being levied on the owner, would be an unidentified element in the tenant's budget. This ignores the fact that the rate element could easily be identified on inquiry to the local authority. This question of local accountability has not been found to be a major issue in those countries in which site-value rating has been introduced and the question of absentee owners is faced in all countries having a local property tax based on the British system. If a landowner wishes to have a say in the affairs of the local authority in which his land is situated he can choose to live in that area.

The Layfield Committee was of the opinion that the present planning system is not sufficiently detailed and explicit to facilitate land valuations. We believe that on the evidence available from the Whitstable surveys there would be no insurmountable problems. To postulate that such problems would be considerable would be completely contrary to the Whitstable valuer's findings and would presuppose that land with development potential accounts for a high percentage of the land total. This is not the case. We are quite confident that the valuation profession would be able to tackle the task and that suitable administrative machinery could be devised to cover particular circumstances. We believe that a good case can be made for closer cooperation between the professions of valuation and town planning and that site-value rating could be a catalyst. Rating and planning authorities are coterminous and there are sound arguments for planning authorities to be aware of the financial implications of their actions. We strongly disagree with the Layfield view that the structure of a site-value base would be uncertain and variations of the tax yield unpredictable. This is not supported by evidence from other countries. Viewed in the long term the site-value tax base can be expected to be a secure and expanding one, providing a revolving fund for public investment.

The Layfield Committee also questioned the availability of sales data of land transactions and pointed out that a new body of case law would have to be built up. These arguments are neither new nor convincing. Foreign experience suggests that there would be fewer valuation appeals under a site-value system than under the present one.

The Layfield Committee concluded its examination by raising a number of administrative points relating to land registration, rent control, leases and covenants. These are issues which have been fully covered in supplementary material submitted by the United Committee which has been ignored by Layfield. They do not pose serious obstacles and could be overcome given the will to do the job.

The United Committee urges the Government to reject the findings of the Layfield Committee and especially the proposal for a local income tax. The Government is further urged to examine the alternative of site-value rating in greater depth. The United Committee believes that notwithstanding the Community Land Act and Development Land Tax, site-value rating could play a vital role in providing a firm tax base for local government.