

PRESENT POSITION IN BRAZIL

Bill for Rio de Janeiro Abandoned

In 1948 proposals were submitted by the Mayor to the City Council of Rio de Janeiro for effecting a complete reform of the city's real estate taxation. This was to be carried in stages over a period of years so as to reduce and ultimately abolish the taxation of buildings and to transfer the taxation upon the value of land alone—although with certain stipulations and compromises which conflicted with the clear principle of land value taxation. Nevertheless the plan, which was fully described in our issue of November, 1948, could be regarded as a fair approach considering the peculiar local circumstances that had to be met, leaving the deviations from the principle to be rectified in due course.

As nothing has been heard of the plan since it was first announced, we enquired of our correspondent, Mr. Americo Werneck, Junior, what exactly had happened to it. Mr. Werneck has replied: "I am sorry to inform you that the respective Bill was rejected by the City Council; it had been proposed by the City Mayor, General Angelo Mendes de Moraes, but after he left office, the Bill lost its initial impetus, was stifled for a long time and was finally put to death by the effort of the landowners: we feel that considerable work will have to be done before the proposition can be revived." This is disappointing news.

Real Estate Taxation

We enquired also of Mr. Werneck what was the general position throughout Brazil with regard to real estate taxation, since there had been—back in 1925, as reported in our columns—promising moves in many places to institute the taxation of land values for local purposes. Again it was well to know what had happened? Were these moves implemented in this way? In his reply (August 26, 1956), Mr. Werneck gave this account of *Land Taxation in Brazil*.

"A high official of the Brazilian Exchequer, Mr. Gerson Silva, published a book in 1948 entitled *Sistema Tributário Brasileiro*, which was the most complete work ever written about our taxation system and in which an authoritative information about our land taxation was to be found. I ran through practically all the important bookstores of the city searching a copy of this book from which I intended to pick up the data to be transmitted to you. But nobody could tell me anything about the book. A few days ago I was successful in meeting Mr. Gerson Silva himself. He advised me that the book had been published by the National Exchequer (Ministério da Fazenda) to be freely distributed to the administrations of the States and Municipalities of the country; it was never put in the market and its edition became immediately exhausted . . .

Rural Lands

"According to the Constitution of 1946, a land tax may be levied by the States on the rural ground and by the Municipalities on the urban ground. All of the States of the Union make use of this right and impose a tax (*imposto territorial rural*) on the market value of their rural lands, the rate of which varies from 0.5 to 2 per cent. Lands up to 200,000 square metres in area (about 50 acres) are exempted when they are cultivated by the owners and members of their families without help of hired labour. Besides this franchise, prescribed by the Constitution, there are other exemptions enacted by the local State governments, varying from State to State. In some States there are no official assessments; the land values are periodically estimated by

the land owners and on these values the tax is calculated and collected. In consequence the land values are there quite low and the tax itself barely productive. It is clear from the above that considerable progress has yet to be made on the methods of assessment before this rural land tax may become of real importance in the budget of many States.

Urban Lands

"The land tax on the urban ground (*imposto territorial urbano*) is levied by most Municipalities, but the general practice is to impose the tax on the vacant land only. Whenever the land is built, a building tax (*imposto predial*) levied on the annual rental value of the property takes the place of the land tax. One good thing may be said of this urban tax: its valuation and assessment methods are coming rapidly to a high standard in a few larger cities with the adoption of land-value maps which give the *unit street-values* (the values of a strip of land with one metre frontage and thirty-six metres depth for every street or portion of street), the assessment of each individual property being made from these *unit street-values* by means of well known rational rules (Harper, Jerret, etc.). It may be expected that this excellent practice will spread to city after city and that in the course of time it may finally predominate in most Municipalities of some importance.

"The bad thing about this urban land tax is that it is applied to vacant land only. The attempts that have been made to extend it to all properties (built and unbuilt lands) with the abolition of the building tax have failed so far due to the strong opposition of the building owners. This was the final fate of the attempts made in the cities of Garibaldi, Montenegro, Pinheiro Machado, Caxias and other Municipalities mentioned in the 1925 numbers of LAND & LIBERTY that you have kindly submitted for my attention."

Hopes for New Federal Capital

In our issue for June—July, 1956, grateful to Mr. Werneck for his facts, we were able to describe the great project for transferring the Federal Capital of Brazil from Rio de Janeiro to the uplands of the State of Goiás in the interior of the country. There it is intended to build a new city for which the name "Brasília" has now been officially proposed and it lies in the hands of Congress to make it a model for the rest of the world; the land to be held from the City on perpetual leasehold at periodically revised rents, with no taxation whatever levied on buildings or other improvements. It is to be hoped that Congress will legislate to ensure that the new Federal Capital be so established continually and permanently to enjoy the advantages of land value taxation and the exemption of buildings. Nothing has been wanting of arguments in favour, such as in the memoranda presented to Congress especially by the eminent Dr. Odilon Benevolo.

It was pleasing to hear from Mr. Werneck that our article giving the facts and summarising those arguments, together with the extensive material we sent him relating to Canberra in Australia as a precedent for the new "Brasília," was found helpful in the discussion that is now proceeding. We look forward to further news.

Of the plentiful literature on the projected new Federal Territory, Mr. Werneck especially commends the account of the preparatory work which is given in Volume XLVI, No. 3 (July, 1955) of the American Geographic Society, a fully illustrated booklet, printed in English and entirely devoted to the subject.