LAND & LIBERTY

MONTHLY JOURNAL FOR LAND VALUE TAXATION AND FREE TRADE

Sixtieth Year—No. 714. 4 Great Smith Street, London, S.W. 1. November, 1953. Price 1s.

SOME OF YOUR QUESTIONS ANSWERED

Recently a correspondent who had received complimentary literature dealing in general terms with the theory of land value taxation wrote to the Secretary of the United Committee asking a number of questions relating to the practical application of the reform. Because the points raised by this correspondent frequently occur to people newly introduced to the subject, the questions asked and the answers afforded are here published for the particular interest of new and recent subscribers to LAND & LIBERTY.

1. *What would be the estimated yield of a* 100 *per cent tax on land values as compared with present Government expenditure*?

It is not possible to estimate with any exactitude the yield of a 100 per cent tax on land values—that is, of a land value tax equal to 20s. in the £ of the economic rent of land apart from buildings and improvements. That could not be stated until a complete and precise valuation of each piece of land throughout the country had been made. It is possible, however, to conjecture how much is the aggregate unimproved land value of the whole country. Valuations showing in separate columns the value of the land and the value of the improvements thereon, are familiar practice in many parts of the world, for instance in Australia, New Zealand, South Africa, Denmark, Canada and in many American cities.

A computation made in 1929* based on the ascertained *selling value* of land (apart from improvements) in other countries and allowing for differences in population, indicated that the aggregate unimproved *selling value* of land in Great Britain at that time was in the region of £10,000 million. On this basis, and allowing for inflation, increased population and other factors, the figure to-day could be put at perhaps £20,000 million, equivalent at, say, 5 per cent to an annual value of £1,000 million.

Admittedly this sum is considerably less than that which the Government collects and declares that it needs to-day. Two important considerations must be borne in mind. First it must be remembered that these estimates are based on the *selling* value of the land, which is an *untaxed* value. It is an enormous sum, but it does not represent the full value of the land; it represents only that part of the value which the land owners are able to put in their pockets. That is to say, the aggregate *selling value* of all the land is the amount which the owners would get if each piece of land was sold *subject to the burden of existing* rates and taxes. Now, the existing rates and taxes on landed property, besides falling on improvements, do collect, although in a haphazard, clumsy, discriminate and inequitable manner, an immense amount of land rent into the public treasuries. That amount, which anyone is free to calculate, must be added to the foregoing £1,000 million "guess," to arrive at any reasonable "estimated yield of a 100 per cent tax on land values," which would displace the present burdens on buildings, trade and industry. Furthermore it must be remembered that a considerable part of to-day's budgeted expenditure would not arise if governments did not require to subsidize poverty.

2. *What is the proposed initial rate of land value tax and what are the stages of progression to a* 100 *per cent tax on the unimproved value of land*?

No precise rate of a beginning tax has been laid down. The utmost importance is attached to obtaining the basis, namely, the valuation of land apart from improvements. There should be a Finance Bill which, with a land value tax at not too small a rate, would bring the valuation into being. Snowden in 1931 had a tax of 1d. in the £ of selling value. We should improve on that, even as a start; the tax should be high enough to provide, by its revenue, for a material reduction in the direct and indirect taxation that now falls on production and trade, wages and consumption.

Given the valuation, the basis is at hand for progressively transferring taxation from trade and industry so that it rests on the value of land. Given the valuation, the basis is there for the thorough-going reform of local taxation, so that the rates are levied on land values, and houses and other buildings and improvements are no longer assessed for local taxation. Johannesburg in Transvaal and Wellington in New Zealand are among the many cities that levy their rates solely on the value of land apart from improvements.

3. *You speak of the valuation. Who would make it and how frequently*? *How would the difficulty of ascertaining the value of land apart from improvements be overcome*?

In the first place there is no difficulty in determining the value of any land apart from the improvements that are attached to it. The experience of the countries where such valuations are a well-established practice proves this to be so. Land valuation for purposes of taxation is basically a comparison of one piece of land with another

* See Light on the Land Question, price 6d., from our offices.

and with all others in any area or district, so made and so subjected to public scrutiny that every test satisfies. The valuation would be entrusted in Great Britain to the valuation department of the Inland Revenue, the same department as assesses landed property for death duties, Schedule A of the Income Tax and local taxation, and its task would be ten times easier than it is at present, and many times less costly. Periodic revision of the land value assessments is, of course, imperative, so that justice be done both to the tax-paying landholders and to the public as recipients of the revenue.

So rapid and often sudden are the changes due to economic development, and so important also is the influence of a fluctuating money standard, that assessments dare not be stereotyped over a period of years. The ideal and the right procedure, the more admirable because it would be so effectual and economical, is the *annual revision* of all assessments, the "valuation date" being fixed once a year. Such in fact is the practice in Scotland where it applies to the assessment of both land and buildings taken together under the present system—so also in Canada and in a number of American cities. How much more practicable then, when it is a case of valuing the land alone?

4. *What arrangements, if any, would be made for paying compensation to those landowners who could not afford to be expropriated, e.g., recent purchasers in good faith?*

There are no arrangements whatever for what is called "compensation." The term, if it means anything at all, means paying back and is thus an entire contradiction of the policy and of the question that is involved.

Every piece of land, saving that at the margin of production, has a value. That *land-value* varies from place to place and from point to point. It is higher here and lower there, all depending on the natural advantages which the situation of one landholding (urban or rural) affords as compared with another. Taxation, national or local, on land values takes that into account, so that each landholding "stands charged" with its due payment. All landholdings would be assessed at the annual rent which that *situation* (that is, the land apart from improvements) would command if let in perpetuity as from the date of each periodical valuation. It is *because* that land value does and will exist day by day as the result of the presence and activities of the community that it should rightly provide the public revenue.

Whoever has bought the land has, in effect, bought the legal right to appropriate the rent of it. There is no case whatever for "compensating" or accommodating the man who has bought on the eve of the introduction of land value taxation; no case for extending to him a special privilege. But he is not going to have any such "sudden shock" as may be implied. He will be aware that land value taxation is about to take effect, because by that time Parliament will consist of members whose pledges are unmistakable. He will have had plenty of warning to adjust himself to the new circumstances. Above all that, it is *only* the person who traffics in pure land value who could in any way suffer financially.

The vast majority of landowners are those who own also their homes and their business premises. The consequent remission of taxation upon those improvements will be more than sufficient "compensation" for them. Moreover, very many landowners are themselves workers or industrialists and their "compensation" will come in the abolition of taxation on the fruits of labour.

You speak of landowners being "expropriated," but there will be no expropriation. No one will have his land taken from him; each will simply pay to the fiscus (through national and municipal taxation) the rent that attaches to his land apart from improvements.

5. *Is it proposed to exempt from contribution the landholdings of educational, charitable and religious bodies?*

Since they occupy a part of the national heritage they should in principle pay equally with other landholders taxation on the land value they enjoy.

6. *When the* 100 *per cent stage is reached, then apart from landlords still entitled to a rent for improvements, would not the State be the sole landlord? If so, how does this differ from out-and-out nationalization which, despite its bad name, does involve compensation?*

Yes, theoretically, when all rent is being collected and applied to the common use, the State (or the State and the municipal bodies sharing the revenues) would be the "sole landlord." But what of it? There would be no State property in land and no management or control of the use of land as the "land nationalizers" would have. Private title to land would remain and private property in improvements would be strictly observed.

Land nationalization so-called would make the State the "landlord" in a very strict sense so far as control is concerned, but not financially! The idea of the people *buying* from those who at present appropriate the unimproved rental value of land is to make those rent collectors the bondholders over all production for generations ahead, leaving untouched the burden of existing taxation, to the grievous hurt of industry and trade.

7. *What is the practical difference between levying rates on the present system and levying them on the value of land apart from improvements?*

A very great difference indeed. Under the present system land and buildings are assessed at the rent obtainable for them if they were to be let for a year in their existing condition. The result is that where a property is neglected, or out of date, or near dereliction, the assessment is low; where it is highly improved, the assessment is high; and where the property is unoccupied or is vacant and without any building or improvement, the assessment is nil. Thus the present system *penalizes* development.

On the other hand, where rates are levied solely on the unimproved value of the land, the result is that all improvements are exempt and all land is rated at its actual value whether it is used or not, and irrespective of the use that happens to be made of it. In this way, land value rating *encourages* development.

A further important distinction is that at present rates are levied on the occupier on top of the rent that he pays to the landlord; whereas the land value rate will be payable by the person or persons interested in the land value and in proportion to such interest. The provisions for so sharing the obligation to contribute to the land value rate as between the ground landlord and any mesne leaseholders who may together share the land value were well laid down in the Bill for the rating of site values promoted in 1939 by the London County Council.